

# REPORT ON THE WAR FINANCE

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Japan. Ōkurashō



## ERRATA.

- P. 12. Item. Annual account surplus. for 24,825,409.000  
*read* 24,825,409.285.
- P. 31. Fourth line. for 655,815 *read* 655,085.
- P. 39. Item. 1906 compared with 1905. for Decrease ( )  
*read* Decrease (—)
- P. 42. Item. Nippon Ginkō general deposits. December,  
1904. for 12,124,704. *read* 72,424,704.
- P. „ Item. Nippon Ginkō general deposits. February,  
1906. for 162,242,298. *read* 16,242,298.
- P. 43. Item. Actual amount of Postal savings. December,  
1905. for 52,156,852. *read* 52,150,352.
- P. 45. Item. Nippon Ginkō. August, 1905. for \*23,382,000  
*read* \*23,821,000.
- P. 55. Item. Compassionate allowances to families of  
non-Commissioned Officers and Privates.  
1905-6. for 500,000,000. *read* 505,000,000.
- P. „ Item. Extraordinary police expenses, &c. 1904-5.  
for 106,450,922. *read* 506,450,922. 1905-6.  
for 156,111,675. *read* 956,111,675.

HJ  
1924  
A25  
1906

HJ  
1924  
A25  
1906



**Report**  
**on the**  
**War Finance.**

**Department of Finance**  
**Japan.**

(1906)



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# REPORT ON THE WAR FINANCE.

*(Being a Statement of the Accounts as they  
stood on the 31st March, 1906).*

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## INTRODUCTION.

As the receipts and expenditures for the extraordinary expenses connected with the war are still far from being completed and the Imperial finances have not yet emerged from the condition brought on by the war, it would be premature to attempt to give a detailed account of the subject; it is accordingly proposed in the following pages to present a general report on the aforesaid receipts and expenditures during the thirty months from the beginning of October, 1903 to the close of March, 1906.

Now the main principle in war finance is that while the supply of war funds shall be so ample as to leave no pecuniary obstacle to the attainment of the object for which the war is being waged, the financial basis shall at the same time be strengthened, the financial credit maintained, and the harmony of the general economic world preserved. The Imperial Government, therefore, in making its programme of war finance, never lost sight of this principle and took care that it should not be violated in any of its measures from the increase of taxes and raising of loans to the defrayment of war expenses. As this programme of war finance has many ramifications and is extremely complicated, each item of it will be treated in a separate chapter and only a general outline of the subject will be given in the present introduction.

The estimated amount of expenses connected with the war is composed, with respect to military and naval expenditures, of yen 155,970,000 (£ 15,980,533) provided for as an urgency disbursement by Imperial Ordinance No. 291, of 1903, yen 380,000,000



(£ 38,934,426) which was approved by the Diet in March, 1904, *yen* 700,000,000 (£ 71,721,311) which was, in the form of first supplementary estimate, approved by the Diet in December, 1904, *yen* 60,000,000 (£ 6,147,541) which was, by Imperial assent, disbursed in excess of the estimate, and *yen* 450,450,000 (£ 46,152,663) which was, in the form of second supplementary estimate, approved by the Diet in March, 1906, thus making a total of about *yen* 1,746,420,000 (£ 178,936,475); and the extraordinary expenses of the various Departments of State in connection with the war consist of *yen* 250,000 (£ 25,615) which was disbursed under Imperial Ordinance No. 291, of 1903, *yen* 40,000,000 (£ 4,098,360) which was, as estimate for the Financial Year 1904-5, approved by the Diet in March, 1904, *yen* 80,000,000 (£ 8,196,721) which was, as estimate for the Financial Year 1905-6, approved by the Diet in December, 1904, *yen* 28,820,000 (£ 2,952,868) which was, by Imperial assent, disbursed in excess of the estimate, *yen* 7,200,000 (£ 737,704) which was, in the form of supplementary estimate for the Financial Year 1905-6, approved by the Diet in March, 1906, and *yen* 79,500,000 (£ 8,145,491) which was, in the form of estimate for the Financial Year 1906-7, approved by the Diet in the same session, thus making a total of *yen* 235,780,000 (£ 24,157,786). The sum of the above two totals brings the grand total of the Extraordinary Expenses connected with the war to *yen* 1,982,200,000 (£ 203,094,262). The sources of revenue for meeting these enormous expenses were public loans, exchequer bonds, and temporary loans, amounting to *yen* 1,555,870,000 (£ 159,412,909), surpluses from the general annual accounts and proceeds of sale of articles no longer of use in the army and navy and receipts from posts and telegraphs in Manchuria and Korea, *yen* 144,450,000 (£ 14,800,404), receipts from increased taxation, *yen* 212,870,000 (£ 21,810,451), transfers from the special accounts funds, *yen* 67,000,000 (£ 6,864,754), voluntary contributions to the war fund, *yen* 1,500,000 (£ 153,688), miscellaneous receipts, *yen* 500,000 (£ 51,229), making in all *yen* 1,982,200,000 (£ 203,094,262).

As the burden upon the nation was materially increased by the enormous augmentation of the expenditures connected with the war, the Government curtailed the general administrative expenditure in view of the necessity of appropriating any surplus therefrom for the said expenditures and abandoned most of the new undertakings in contemplation and reduced in scale or postponed as far as possible such undertakings as had been decided upon and planned, the total amount of which was in round numbers *yen* 50,000,000 (£ 5,122,950) in the

Financial Year 1904-5, and *yen* 75,000,000 (£ 7,684,426) in 1905-6. The Government, moreover, proposed to reduce local finances and endeavoured, by restricting local taxation, to lighten, on the one hand, as much as possible, the burden imposed upon the nation by increased taxation and on the other, to obtain abundant sources of revenue to meet the expenditures connected with the war.

Though the funds under special accounts had been established as capital sums necessary for the working of such accounts, the Government recognised, in view of the necessity of defraying enormous war expenses, the propriety of employing them as a source of revenue for those expenditures and diverted and used the said funds as far as was permitted by their respective special accounts.

To meet the expenditures connected with the war, the Government drew up on two occasions a scheme of increased taxation which was on both occasions approved by the Diet. These schemes owed their origin to the necessity of finding sources of revenue to meet the war expenses within limits that could be borne by the nation; and though as the result of increased taxation the burden became very heavy, these schemes were, thanks to the intense loyalty and patriotism of the nation, carried into effect without any hitch.

As the various sources of revenue above referred to, even when taken together, were naturally sufficient to meet only a portion of the enormous expenditures connected with the war, the Government, in order to make up this deficiency, decided to issue public loans and exchequer bonds and raise temporary loans; and with a view to the raising and issue thereof, closely watched the condition of the money market at home and abroad and when suitable opportunity offered, took steps to carry out its decision.

As the war expenses reached, as already stated, a very high figure and no small portion thereof had to be paid abroad, it became necessary in consequence to protect the specie reserve, and accordingly, the deposit of gold and silver bullion was encouraged at home while in foreign markets public loans were raised on several occasions. By these means ample provision was made for the specie reserve, and thereby the basis of specie payment was strengthened and our financial credit maintained.

At the commencement of the war the whole economic world was, it is true, affected to some extent and showed more or less signs of depression, and prices also rose slightly in consequence of the inflation of the currency, imposition of extraordinary special taxes, and other circumstances peculiar to war time; but the entire nation having in the

meantime acquired thrifty habits, there was a large increase in deposits of all kinds and at the same time our successive victories having brought on activity in economic circles, a marked rise was noted in the amount of advances made by banks and of bills cleared, and our foreign trade has also advanced since the outbreak of the war. In short, our general economy, although more or less affected at the opening of hostilities, has throughout maintained a favourable condition.

## CHAPTER I.

### Urgency Defrayment of Extraordinary War Expenses.

When from October, 1903, the negotiations with Russia gradually approached a critical stage, enormous expenditures at the same time became necessary, and as it was found impossible to meet them with the ordinary sources of revenue, Imperial Ordinance No. 291 was promulgated in December, 1903, whereby the following provisions were made as an urgency financial measure:—

1. For the purpose of meeting the expenditures required for the completion of war preparations, the Government to be authorised to make temporary loans, to divert and use the funds under special accounts, and to issue exchequer bonds;
2. The rate of interest payable on temporary loans and exchequer bonds not to exceed six per cent. per annum, and the period of redemption not to exceed two years for temporary loans and five years for exchequer bonds;
3. In other respects the provisions of the Consolidated Public Loan Regulations to apply to the exchequer bonds.

The total amount, for the defrayment of which the Imperial assent was obtained under the above-mentioned Imperial Ordinance, was *yen* 156,220,000 (£16,006,147), of which *yen* 155,970,000 (£15,980,532) was required for military and naval purposes and the sources for meeting these expenses were composed of receipts from exchequer bonds amounting to *yen* 100,000,000 (£10,245,901), funds diverted from special accounts *yen* 25,000,000 (£2,561,475), and temporary loans *yen* 30,970,000 (£3,173,156); and the remaining *yen* 250,000 (£25,615) of the total amount was required for extraordinary expenses connected with the war of the various Departments of State other than the War and Naval, and was to be met by means of a temporary loan.

The question of payment of the sum of *yen* 156,220,000 (£16,006,147), for which the Imperial assent was given under Imperial Ordinance No. 291, of 1903, was, for the purpose of obtaining the *post-facto* consent thereto according to the provision of Art. LXX, Clause 2, of the Constitution, brought together with the Imperial Ordinance just mentioned, before the Diet in March, 1904, and was approved without a dissentient voice by both Houses.

## CHAPTER II.

### First Estimate for Extraordinary War Expenses.

When the Diet was convoked in Tokyo in March, 1904, the Government asked for *yen* 380,000,000 (£38,934,426) as the estimated extraordinary war expenses and at the same time presented the Extraordinary Special Taxes Bill, the Tobacco Monopoly Bill, and a bill relative to the defrayment of extraordinary expenses connected with the war; that is, the Government, for the purpose of meeting the expenditures connected with the war, proposed to impose war taxes, to bring into operation the tobacco manufacture monopoly and to make the following provisions:—

1. The Government to be authorised to make temporary loans, to issue exchequer bonds, to divert and use the funds under special accounts, and to raise public loans;
2. The total amount of temporary loans, exchequer bonds, and public loans, taken altogether, not to exceed *yen* 280,000,000 (£28,688,524); however, if it is found necessary for the purpose of consolidating and redeeming the temporary loans, exchequer bonds, and the sums diverted from the funds under special accounts which are authorised by the present law and Imperial Ordinance No. 291, of 1903, public loans in excess of the above-mentioned limit may be raised;
3. The rate of interest on the temporary loans, exchequer bonds, and public loans, the manner in which and the conditions under which they are to be raised or borrowed, the periods for which they are to remain unredeemed, and the periods of redemption, to be fixed by ordinance;
4. In other respects the provisions of the Consolidated Public Loan Regulations to apply to the exchequer bonds and public loans.

As sources of revenue for the estimated extraordinary war ex-

penses of *yen* 380,000,000 (£ 38,934,426), it was proposed to take the proceeds of public loans, receipts from exchequer bonds, and temporary loans, amounting to *yen* 280,000,000 (£ 28,688,524), funds diverted from special accounts *yen* 30,000,000 (£ 3,073,770), receipts from extraordinary special taxes and monopoly profit *yen* 62,000,000 (£ 6,352,459), and *yen* 8,000,000 (£ 819,672) out of the surplus of *yen* 48,000,000 (£ 4,918,032) which was to be obtained by economy in the general expenditure.

The above proposals were well received by both Houses, and the Budget for Extraordinary War Expenses and the bill relating to the defrayment of extraordinary expenses connected with the war, in the form in which they were presented, and the Extraordinary Special Taxes Bill, and the Tobacco Monopoly Bill, with some modifications, were all passed.

As it was necessary to keep the account for extraordinary war expenses distinct from the general revenue and expenditure account and to adjust it specially by treating the whole period from the commencement to the conclusion of the affair as a single financial year, the Government presented to the Diet at the same time as the Budget for Extraordinary War Expenses a bill defining a special account for extraordinary expenses pertaining to the Army and Navy, which was unanimously passed by both Houses and promulgated.

In connection with the Budget for Extraordinary War Expenses, the Government presented to the Diet in March, 1904 a supplementary annual Budget for the Financial Year 1904-5 and a supplementary Budget for revenues and expenditures under special accounts for the same financial year.

In the supplementary annual Budget for the Financial Year 1904-5, the Government made the following demands:— (1) the transfer of *yen* 70,000,000 (£ 7,172,131) to the special account for extraordinary war expenses, because, on the one hand, it was found necessary for the convenience of collection first to include in the general revenue and later to transfer to the war fund the receipts from the extraordinary special taxes and tobacco manufacture monopoly which the Government had intended to employ as sources of revenue for the expenditures connected with the war and, on the other, it was proposed to apply the surplus which was to be obtained by economy in the general expenditure as a source of revenue for the extraordinary war expenses; and (2) *yen* 40,000,000 (£ 4,098,360) for the extraordinary reserve fund, because, as most of the expenditures, other than the extraordinary war expenses, connected with the affair required to be

defrayed at times according to the progress of the war and no estimates could be made beforehand in respect of such matters, this reserve fund was established with the object of disbursing therefrom whenever necessary in the cases referred to after a careful examination of the demands made by the various Departments of State, and it was proposed to employ as the source of revenue therefor the surplus to be obtained by economy in the general expenditure.

The supplementary Budget for revenues and expenditures under special accounts for the Financial Year 1904-5 was required to supplement the special account Budget of the Monopoly Bureau for the purpose of bringing into operation the tobacco manufacture monopoly.

Both the above-mentioned Budgets were unanimously passed by the two Houses and promulgated.

When the Budget for Extraordinary War Expenses passed the House of Representatives, that House specially resolved that as the end of the war was still far off, it would not grudge its approval to any further war expenses that might be required in the future.

### CHAPTER III.

#### Second Estimate for Extraordinary War Expenses and Excess of Expenditure over Estimate.

When the Diet was convoked in Tokyo in November, 1904, the Government asked for *yen* 700,000,000 (£ 71,721,311) in the form of supplementary Budget for war expenses and at the same time presented the Extraordinary Special Taxes Law Amendment Bill, the Succession Tax Bill, the Salt Monopoly Bill, and a bill relating to the defrayment of extraordinary expenses connected with the war; in fact, in view of the constant increase in the expenditures required on account of the progress of the war, the Government, with the object of meeting these expenses, proposed to raise the extraordinary special taxes, to establish succession taxes, and to carry out the salt monopoly, and as means of meeting the extraordinary expenses connected with the war, made provisions similar in the main to the laws already enacted relative to the meeting of such expenses and further extended in the following manner the scope of operation of those provisions:—

1. The Government, besides being authorised within the maximum limit of *yen* 450,000,000 (£ 46,106,557) to make temporary loans, issue exchequer bonds, and raise public loans, also

to be authorised, if necessary in order to cover the difference between the face-value and issue-price of the exchequer bonds and public loans which were from the first issued for the purpose of meeting the extraordinary expenses connected with the war, to issue exchequer bonds, raise public loans, or make temporary loans in excess of the above-mentioned limit;

2. In case of necessity for the purpose of consolidating or redeeming the above-mentioned temporary loans, exchequer bonds, and funds under special accounts, the Government also to be authorised to issue public loans in excess of the said limit;
3. In the event of a temporary deficit occurring in the account for extraordinary war expenses, the Government to be authorised to issue treasury bills which should be redeemed with the revenue for the aforesaid expenses.

The scheme for providing *yen* 700,000,000 (£71,721,311) the supplementary estimate of the extraordinary war expenses was, after its presentation to the Diet, slightly modified by the Government; and finally it was decided to make the said provision with the proceeds of public loans, receipts from exchequer bonds, and temporary loans amounting to *yen* 571,000,000 (£58,504,098), funds diverted from special accounts *yen* 8,000,000 (£819,672), receipts from increased taxation, &c., *yen* 119,000,000 (£12,192,622), voluntary contributions to the war fund *yen* 1,500,000 (£153,688), and miscellaneous receipts *yen* 500,000 (£51,229); however, in the sum of *yen* 571,000,000 (£58,504,098) from public loans, exchequer bonds, and temporary loans, was included *yen* 117,000,000 (£11,987,704) which was raised in England and America.

The supplementary Budget for extraordinary war expenses was unanimously voted in both Houses. As to the bill relating to the defrayment of extraordinary expenses connected with the war, the House of Representatives, in consequence of the alteration in the scheme for providing for the supplementary estimate of the extraordinary war expenses, amended the maximum aggregate amount of temporary loans, exchequer bonds, and public loans to *yen* 455,000,000 (£46,618,852); and slight amendments were also made in the Extraordinary Special Taxes Law Amendment Bill, the Succession Tax Bill, and the Salt Monopoly Bill; after which the four bills passed both Houses and were promulgated.

In connection with the supplementary Budget for war expenses, the Government presented to the Diet in November, 1904, a supplementary annual Budget for the Financial Year 1905-6, in which a demand

was made (1) for the transfer of *yen* 119,000,000 (£12,192,622) to the special account for extraordinary war expenses because it was necessary to transfer from the general account to the war fund the revenue arising from the increase of the extraordinary special taxes and operation of the salt monopoly which it had been planned to employ in the present financial year as a source of revenue for expenditures connected with the war and (2) for an extraordinary reserve fund of *yen* 80,000,000 (£8,196,721) for the same reason as was set forth in the preceding chapter.

The above-mentioned Budget was unanimously passed by both Houses and promulgated.

But as the amount of expenditures required increased enormously with the progress of the war, the estimate for the extraordinary war expenses became insufficient even before the opening of the Diet and the extraordinary expenses of the various Departments of State in connection with the war were also exhausted; but the war expenses pertaining to the army which amounted to *yen* 60,000,000 (£6,147,541) and the extraordinary expenses of the various Departments of State which came up to *yen* 28,820,000 (£2,952,868), thus making a total of *yen* 88,820,000 (£9,100,409), were urgent expenditures which could not wait till the supplementary estimate was passed and they were accordingly paid out as disbursements unprovided for in the Budget; and as sources of revenue to meet these expenditures were taken *yen* 60,000,000 (£6,147,541) out of the unemployed balance of the proceeds of the loans belonging to the special account for extraordinary war expenses, *yen* 24,820,000 (£2,543,032) out of the surplus of the annual account, and *yen* 4,000,000 (£409,836) which was diverted from the funds under special accounts.

## CHAPTER IV.

### Third Estimate for Extraordinary War Expenses.

When the Diet was convened in Tokyo in December, 1905, the Government, for the purpose of providing for the withdrawal of the forces, rewards for distinguished services, and other matters, again presented a supplementary estimate for extraordinary war expenses in which an appropriation of *yen* 450,450,000 (£46,152,663) was asked and to meet it it was proposed to take *yen* 88,000,000 (£9,016,393) the unemployed balance of the proceeds of the loans belonging to the special account for extraordinary war expenses and *yen*



362,450,000 (£ 37,136,270) the proceeds of new loans; and at the same time an extraordinary reserve fund of *yen* 7,200,000 (£ 737,705) was asked for in the form of supplementary Budget of the annual revenue and expenditure for the Financial Year 1905-6 and it was proposed to apply as source of revenue therefor the surplus of the annual account. Further, it was decided to make into a single item as extraordinary reserve fund the expenditures of the War, Naval, and other Departments of State which it was necessary to defray in connection with the war in the Financial Year 1906-7 and which amounted to *yen* 84,500,000 (£ 8,657,786) and was to be met by means of the balance of the normal revenue and the proceeds of the public loans. This fund was included in the Budget of the general account for the same financial year, which was also presented to the Diet; and the Diet, after reducing by *yen* 5,000,000 (£ 512,295) the expenditures out of the loans, passed the Budget together with the supplementary Budget for the Financial Year 1905-6. In connection with the estimates for the extraordinary war expenses and the extraordinary reserve fund above referred to, a law-bill relating to the defrayment of extraordinary expenditures connected with the war was presented to the Diet in the same session. This bill was, as regarded the defrayment of extraordinary war expenses, similar in the main to Law No. 12, promulgated in December, 1905, except that it stopped the issue of exchequer bonds, and as regarded the extraordinary expenses of the various Departments of State in connection with the war, it authorised the Government to divert and employ the funds under special accounts and raise loans not exceeding *yen* 70,000,000 (£ 7,172,131) for the purpose of defraying the expenditures required for repairing the losses suffered during the war and other undertakings pertaining to the army and navy and the extraordinary expenses connected with the forces stationed in Manchuria and Korea. The bill passed both Houses by a large majority.

In short, the sum of *yen* 155,970,000 (£ 15,980,533) for military and naval expenses out of the total amount, *yen* 156,220,000 (£ 16,006,147), for the defrayment of which the Imperial assent had been obtained under Imperial Ordinance No. 291, of 1903, *yen* 380,000,000 (£ 38,934,426) the estimate of extraordinary war expenses for which the approval of the Diet was obtained in March 1904, *yen* 700,000,000 (£ 71,721,311) the first supplementary estimate of extraordinary war expenses for which the approval of the Diet was obtained in December 1904, *yen* 60,000,000 (£ 6,147,541) which was, by Imperial assent, disbursed in excess of the estimate, and *yen*



450,450,000 (£46,152,664) the second supplementary estimate of extraordinary war expenses for which the approval of the Diet was obtained in March 1906 were all united and consolidated under Law No. 1, of 1904 (Law concerning a special account for extraordinary expenses pertaining to the army and navy); and thus the total estimated amount of extraordinary war expenses came up to *yen* 1,746,420,000 (£178,936,475), and the sources of revenue to meet these expenses were the following:—

Public loans, exchequer bonds, and temporary loans .. .. .	<i>yen</i> 1,492,420,000 (£ 152,911,885)
Receipts from increased taxation and surplus from general annual account ..	189,000,000 („ 19,864,754)
Funds transferred from special accounts ..	63,000,000 („ 6,454,918)
Voluntary contribution to war fund ..	1,500,000 („ 153,689)
Miscellaneous receipts .. .. .	500,000 („ 51,230)
Total .. .. .	1,746,420,000 („ 178,936,475)

The extraordinary departmental expenses connected with the war were composed of the sum of *yen* 250,000 (£25,615) for the defrayment of which the Imperial assent was obtained under Imperial Ordinance No. 291, of 1903, that of *yen* 206,700,000 (£21,178,278) the amount for the three financial years, 1904–5, 1905–6 and 1906–7, of what was established as the extraordinary reserve fund and that of *yen* 28,820,000 (£2,952,868) which was, by Imperial assent, disbursed in excess of the estimate for the Financial Year 1905–6, making a total of *yen* 235,780,000 (£24,167,008), and the sources of revenue to meet these expenses were the following:—

Public loan and temporary loan .. ..	<i>yen</i> 63,450,000 (£ 6,501,025)
Funds transferred from special accounts ..	4,000,000 („ 409,836)
Surplus from general annual account, receipts from increased taxation and from posts and telegraphs in Manchuria and Korea .. .. .	168,300,000 („ 17,243,852)
Total .. .. .	235,780,000 („ 24,167,008)

The total sum of the above-mentioned expenditures actually exceeds *yen* 1,982,200,000 (£203,094,262), the details of which are given in the following Table:—

TABLE SHOWING THE ESTIMATES OF EXTRAORDINARY WAR EXPENSES AND EXTRAORDINARY DEPARTMENTAL EXPENSES CONNECTED WITH THE WAR.

Items.	Amounts disbursed under Imp. Ordin. No. 591, of 1903.	1st estimated amounts (1904).	2nd estimated amounts (1905).	Disbursements in excess of estimate.	3rd estimated amounts (1906).	Total.
	yen	yen	yen	yen	yen	yen
Extraordinary war expenses .. .. .	155,971,035.841	380,000,000.000	700,000,000.000	60,000,000,000.450	450,000,000.000	1,746,421,035.841
Extraordinary departmental expenses ..	257,893.930	40,000,000.000	87,200,000.000	28,825,409.285	70,500,000.000	293,783,303.215
Total .. .. .	156,228,929.771	420,000,000.000	787,200,000.000	88,825,409.285	620,500,000.000	1,982,204,339.056
Sources of Revenue.						
Receipts from increased taxation, &c.	—	62,501,879.000	150,671,023.000	—	—	212,872,902.000
Public loans, exchequer bonds, and temporary loans ..	131,228,929.771	280,000,000.000	571,000,000.000	60,000,000.000	512,643,242.000	1,555,872,171.771
Funds diverted from special accounts ..	25,000,000.000	30,000,000.000	8,000,000.000	4,000,000.000	—	67,000,000.000
Voluntary contributions to war fund ..	—	—	1,500,000.000	—	—	1,500,000.000
Miscellaneous receipts and receipts from posts and telegraphs in Manchuria and Korea .. .. .	—	—	500,000.000	—	—	500,000.000
Annual account surplus .. .. .	—	47,790,121.000	55,828,977.000	24,825,409.000	16,306,758.000	144,439,265.285
Total .. .. .	156,228,929.771	420,000,000.000	787,200,000.000	88,825,409.285	620,500,000.000	1,982,204,339.056

NOTES:—

The first, second and third estimated amounts for extraordinary departmental expenses are the amounts of the extraordinary reserve fund, the first for the Financial Year 1904-5, the second for 1905-6, and the third for 1906-7.

The amounts of receipts from increased taxation, &c., being estimates obtained by suitable calculation, do not always agree with the amounts in the scheme which are given in round numbers.

The amounts of the surpluses from the annual accounts, having been obtained by making some allowance after comparison with the amounts of receipts from increased taxation, &c., do not always agree with the amounts in the scheme which are given in round numbers.

With respect to yen 250,000 which was disbursed for extraordinary departmental expenses under Imperial Ordinance No. 291, of 1903, it was intended at first to employ a temporary loan as the source of revenue thereof, but it was decided for the convenience of consolidation to apply for the purpose the funds diverted from special accounts.

As the sum of yen 6,569,871 in the annual account surplus of yen 47,790,000 in the first estimated amounts column corresponds to the amount to be transferred to the warships and torpedo-boats replenishing fund, it was intended at first to take this sum as part of the surplus in the general account immediately without transferring it to the aforesaid fund; but as the sum had first, according to law, to be transferred to the fund, it was practically decided to deduct this amount from the surplus and add it to the funds diverted from special accounts.

Besides the amounts given in the above table, yen 1,422,584 was disbursed out of the national treasury reserve and surplus for extraordinary departmental expenses connected with the war.

As the Budget for extraordinary war expenses was voted by the Diet as a single item without entering into details, the Government, with a view to precluding any mistakes in the defrayment of the expenses, specially adopted elaborate formalities for such defrayment; thus, before the payment was made, the War or Naval Minister was to consult privately the Minister of Finance, who was to give his assent after he had examined the proposed application and reported it with his opinion appended thereto to the Minister President and obtained his consent, the War or Naval Minister then to apply formally for the defrayment, and the Minister of Finance to report to the Throne and obtain the Imperial assent, after which the defrayment in question could be made.

## CHAPTER V.

### Defrayment of Extraordinary War Expenses.

The amount of extraordinary war expenses defrayed from October, 1903 to March, 1906 was composed of *yen* 155,970,000 (£ 15,980,533) for the defrayment of which the Imperial assent had been obtained under Imperial Ordinance No. 291, of 1903, and *yen* 1,102,620,000 (£ 112,973,361) for the defrayment of which the Imperial assent had been obtained after the establishment of the Budget and *yen* 60,000,000 (£ 6,147,541) which was, by Imperial assent, disbursed in excess of the estimate, thus bringing the total to *yen* 1,318,590,000 (£ 135,101,434) (of which *yen* 1,096,110,000 (£ 112,306,352) pertained to the army and *yen* 222,480,000 (£ 22,795,082) to the navy); this sum, when deducted from the total estimated amount *yen* 1,746,420,000 (£ 178,936,475) would leave a balance in favour of the estimate of *yen* 427,820,000 (£ 43,834,016).

The principal items in the sum of *yen* 1,096,110,000 (£ 112,306,352) pertaining to the army, for the defrayment of which the Imperial assent had been obtained, were salaries and allowances *yen* 76,100,000 (£ 7,797,131), wages *yen* 27,940,000 (£ 2,862,705), travelling expenses *yen* 9,700,000 (£ 993,852), horses *yen* 37,100,000 (£ 3,801,229), arms *yen* 199,050,000 (£ 20,385,128), clothing *yen* 163,360,000 (£ 16,737,705), provisions *yen* 308,260,000 (£ 31,584,016), stores *yen* 47,980,000 (£ 49,159,836), constructions *yen* 59,790,000 (£ 6,126,025), posts and telegraphs *yen* 6,510,000 (£ 667,008), transport *yen* 98,760,000 (£ 1,011,885), sick and wounded *yen* 9,120,000 (£ 934,426), mobilisation *yen* 5,480,000 (£ 561,475), and gratuities

*yen* 36,539,000 (£ 3,742,828); none of the remaining items came up to *yen* 5,000,000 (£ 512,295).

The principal items in the sum of *yen* 222,480,000 (£ 22,795,082) pertaining to the navy, for the defrayment of which the Imperial assent had been obtained, were salaries and allowances *yen* 15,570,000 (£ 1,595,287), provisions *yen* 8,210,000 (£ 841,189), manufacture and repair of arms *yen* 22,490,000 (£ 2,304,303), ship building and repair *yen* 20,580,000 (£ 2,108,607), warship maintenance *yen* 47,960,000 (£ 4,913,934), ships *yen* 21,180,000 (£ 2,170,082), purchase and bringing home of warships *yen* 16,010,000 (£ 1,640,368), and replenishing of warships and torpedo-boats *yen* 47,630,000 (£ 4,880,123), none of the remaining items came up to *yen* 5,000,000 (£ 512,295).

In the following table are given the items and the amounts therefor, for the defrayment of which the Imperial assent had been obtained:—

TABLE OF THE ITEMS AND AMOUNTS THEREFOR, FOR THE  
DEFRAYMENT OF WHICH OUT OF THE EXTRAORDINARY WAR  
EXPENSES THE IMPERIAL ASSENT HAD BEEN OBTAINED.

Items.				Amounts.	
Under the control of the War Department					
Extraordinary war expenses					
				<i>yen</i>	<i>yen</i>
Expenses of personnel	..	..	..	..	113,764,617.192
Salaries and allowances	..	..	..	76,107,611.868	
Wages	..	..	..	27,948,970.796	
Travelling expenses	..	..	..	9,708,035.028	
Expenses of matériel	..	..	..	..	936,383,485.556
Horses	..	..	..	37,104,682.440	
Arms	..	..	..	199,056,433.087	
Clothing	..	..	..	163,366,742.122	
Provisions	..	..	..	308,261,818.804	
Stores	..	..	..	47,981,041.132	
Constructions	..	..	..	59,790,443.319	
Posts and telegraphs	..	..	..	6,514,343.398	
Transport	..	..	..	98,762,031.220	
Manceuvres	..	..	..	2,526,865.250	
Sick and wounded	..	..	..	9,120,851.199	
Miscellaneous	..	..	..	3,898,783.585	
Secret service expenses	..	..	..	..	3,830,060.000
Mobilisation expenses	..	..	..	..	5,486,519.478
Gratuities	..	..	..	..	36,535,157.000
Hiroshima city cleaning expenses	..	..	..	..	41,084.700
Cost of bridge over the Yedogawa	..	..	..	..	21,700.000

Items.	Amounts. yen
Special contribution to grand festival of the Yasukuni Shrine .. .. .	50,000.000
Total .. .. .	1,096,112,573.926
Under the control of the Naval Department	
Extraordinary war expenses	
Salaries and allowances .. .. .	15,576,002.571
Office expenses .. .. .	1,107,889.954
Travelling expenses .. .. .	1,226,447.799
Miscellaneous allowances and expenses .. .. .	944,822.331
Special allowances .. .. .	965,729.537
Provisions .. .. .	8,211,419.080
Clothing .. .. .	4,889,700.671
Arms manufacture and repair .. .. .	22,492,713.143
Ship building and repair .. .. .	20,589,085.340
Patients .. .. .	363,037.350
Naval stations and ports .. .. .	1,530,252.898
Warships maintenance .. .. .	47,961,150.411
Hydrographical expenses .. .. .	62,726.976
Buildings .. .. .	4,730,525.268
Ships .. .. .	21,180,168.270
Secret service expenses .. .. .	710,000.000
Miscellaneous matters .. .. .	3,339,845.216
Emergency fund .. .. .	300,000.000
Purchase and bringing home of warships .. .. .	16,011,320.000
Cost of establishing a briquette manufactory .. .. .	1,069,237.350
Gratuities .. .. .	1,527,810.000
Expenses of enforcing sanitary regulations .. .. .	56,293.750
Replenishing of warships and torpedo-boats .. .. .	47,637,673.000
Total .. .. .	228,482,800.915
Grand total .. .. .	1,318,595,374.841

## NOTE:—

In the case of the amounts in the Table which have obtained the Imperial assent but have subsequently been put to other uses, or increased or decreased, the actual amounts paid out are given above.

Of the extraordinary war expenses, *yen* 1,318,590,000 (£ 135,101,434), for which the Imperial assent had been obtained, the amounts which, the orders for payment thereof having been issued, were paid at the cash offices to creditors or officials to whom cash was to be advanced came up to *yen* 1,261,160,000 (£ 129,217,213) (of which *yen* 1,070,140,000 (£ 109,645,492) pertained to the army and *yen* 191,020,000 (£ 19,571,721) to the navy), and this sum, if deducted from *yen* 1,318,590,000 (£ 135,101,434) the amount for which the Imperial assent had been obtained, would leave a balance, still unpaid, of *yen* 57,430,000 (£ 5,884,221) and if deducted from *yen* 1,746,420,000 (£ 178,936,475) the total estimated amount of the extraordinary war

expenses, the balance in favour of the latter would be *yen* 485,250,000 (£ 49,718,238).

If we examine the amounts paid out every month and the average daily payment in each month from October, 1903 to March, 1906, we shall find that at first not much payment was required except for the purchase and bringing home of warships, but upon the outbreak of hostilities in February, 1904, large payments suddenly became necessary; and with the progress of the war they went on increasing until May, 1905, when the amount paid out that month exceeded *yen* 85,000,000 (£ 8,709,016), making the daily average for the month *yen* 2,750,000 (£ 281,762); but after May the payments gradually fell and were in March, 1906, about *yen* 26,540,000 (£ 2,719,262) with a daily average of *yen* 850,000 (£ 87,090).

The details of the monthly amounts and daily averages of the payments above referred to are given in the following two Tables:—

TABLE OF AMOUNTS PAID OUT FOR EXTRAORDINARY  
WAR EXPENSES.

Year and Month.	War Department.	Naval Department.	Total for the Month.	Total to Date.
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
<b>1903</b>				
October .. .. .	—	1,762,200	1,762,200	1,762,200
November.. .. .	—	2,875,700	2,875,700	4,637,900
December.. .. .	—	16,006,682.040	16,006,682.040	16,011,320.000
<b>1904</b>				
January .. .. .	3,138,003.282	1,263,682.278	4,399,285.465	20,410,615.465
February .. .. .	16,083,708.228	4,046,745.854	20,130,454.082	40,541,069.547
March .. .. .	19,616,961.078	6,215,155.886	25,832,116.961	66,373,186.511
April.. .. .	24,460,223.345	5,308,037.229	29,668,260.574	96,041,447.085
May .. .. .	23,508,414.448	7,476,241.485	30,984,655.933	127,026,103.018
June .. .. .	55,313,920.604	7,727,962.283	33,041,422.887	160,067,525.905
July .. .. .	36,066,032.944	6,714,658.425	42,380,691.369	202,448,217.274
August .. .. .	63,866,156.914	7,613,262.567	71,479,419.481	273,927,636.755
September.. .. .	46,805,100.508	6,294,350.051	53,099,430.559	327,027,067.314
October .. .. .	49,339,111.127	7,634,576.655	56,973,687.782	384,000,755.096
November.. .. .	44,322,014.189	5,676,298.096	49,398,312.285	433,399,067.381
December.. .. .	59,841,704.270	5,919,776.165	65,761,480.435	499,160,547.816
<b>1905</b>				
January .. .. .	41,644,069.079	4,734,205.327	46,378,274.606	545,538,822.422
February .. .. .	58,309,028.861	3,982,436.243	62,291,465.104	607,830,277.526
March .. .. .	61,126,219.507	6,009,597.950	67,135,816.557	674,966,094.083
April.. .. .	58,230,042.154	8,726,380.493	66,956,622.587	741,922,716.670
May .. .. .	76,293,058.705	9,039,461.983	85,332,520.688	827,246,240.358
June .. .. .	69,094,511.879	10,536,979.331	89,441,490.910	907,687,731.268
July .. .. .	60,621,231.568	8,291,118.520	68,912,350.088	976,600,081.356
August .. .. .	50,769,689.151	6,755,801.512	57,465,490.663	1,034,065,572.019
September.. .. .	37,479,675.049	8,905,870.133	46,385,545.182	1,080,451,117.201
October .. .. .	39,814,739.814	8,664,487.734	47,879,227.548	1,128,330,344.749
November.. .. .	24,308,143.761	6,299,594.921	30,607,438.682	1,158,937,783.431
December.. .. .	37,490,527.878	6,900,074.841	44,450,602.719	1,203,388,386.150

Year and Month.	War Department.	Naval Department.	Total for the Month.	Total to Date.
	yen	yen	yen	yen
<b>1906</b>				
January .. .. .	11,134,902.449	4,594,459.010	15,429,361.459	1,218,817,747.609
February .. .. .	11,035,696.628	4,768,400.801	15,804,096.829	1,234,621,844.438
March .. .. .	19,679,526.645	6,860,514.509	26,540,041.154	1,261,161,885.592
Total .. .. .	1,070,140,013.165	191,021,872.427	1,261,161,885.592	

**DAILY AVERAGES OF AMOUNTS PAID OUT FOR  
EXTRAORDINARY WAR EXPENSES.**

Year and Month.	War Department.	Naval Department.	Total.
	yen	yen	yen
<b>1903</b>			
October .. .. .	—	56.845	56.845
November .. .. .	—	95.858	95.858
December .. .. .	—	516,344.581	516,344.581
<b>1904</b>			
January .. .. .	101,148.492	40,764.264	141,912.756
February .. .. .	554,610.628	139,542.960	694,153.588
March .. .. .	632,805.196	200,488.899	833,294.095
April .. .. .	815,340.778	173,601.240	988,942.018
May .. .. .	758,335.949	241,169.080	999,505.029
June .. .. .	843,797.353	257,589.409	1,101,386.762
July .. .. .	1,163,420.417	203,698.658	1,367,119.075
August .. .. .	2,060,198.610	245,589.115	2,305,787.725
September .. .. .	1,560,170.016	209,811.001	1,769,981.017
October .. .. .	1,591,584.229	246,276.666	1,837,860.895
November .. .. .	1,477,400.472	169,209.936	1,646,610.408
December .. .. .	1,930,377.557	190,960.521	2,121,338.078
<b>1905</b>			
January .. .. .	1,343,357.067	152,716.307	1,496,073.374
February .. .. .	2,082,465.316	142,229.508	2,224,694.824
March .. .. .	1,971,813.532	193,857.969	2,165,671.501
April .. .. .	1,941,001.406	290,886.013	2,231,887.419
May .. .. .	2,461,066.409	291,305.322	2,752,371.731
June .. .. .	2,330,150.385	351,232.644	2,681,383.029
July .. .. .	1,955,623.598	267,455.436	2,222,979.034
August .. .. .	1,635,796.424	217,929.081	1,853,725.505
September .. .. .	1,249,322.501	296,862.337	1,546,184.838
October .. .. .	1,284,346.445	260,144.765	1,544,491.210
November .. .. .	810,271.458	209,976.497	1,020,247.955
December .. .. .	1,209,371.867	224,518.543	1,433,890.410
<b>1906</b>			
January .. .. .	359,190.401	138,530.935	497,721.336
February .. .. .	394,132.001	170,300.028	564,432.029
March .. .. .	634,823.440	221,306.919	856,130.359



## CHAPTER VI.

## Employment of the War Fund.

The amount received as war fund from October, 1903 to March, 1906 was *yen* 1,392,250,000 (£ 142,648,565), which was composed of the proceeds of public loans and receipts from exchequer bonds *yen* 1,127,630,000 (£ 115,535,861), sums transferred from the general account *yen* 182,430,000 (£ 18,691,588), funds diverted from special accounts *yen* 69,310,000 (£ 7,101,434), and voluntary contributions to the war fund and other sources *yen* 12,870,000 (£ 1,318,648).

The details of these sources and monthly receipts therefrom are given in the following two Tables:—

TABLE SHOWING THE SOURCES OF THE WAR FUND.

Description.	Amount.
	<i>yen</i>
Public loan proceeds and exchequer bond receipts ..	1,127,634,199.816
Transferred from general account .. .. .	182,430,129.000
Funds diverted from special accounts .. .. .	69,311,977.070
Voluntary contributions to war fund .. .. .	2,279,899.545
Proceeds of sale of Government property .. ..	5,126,436.984
Receipts from transportation .. .. .	1,335,523.340
Special receipts .. .. .	772,983.720
Miscellaneous receipts .. .. .	3,864,456.220
Total .. .. .	1,392,255,555.645

NOTE:—

The figures in this Table are taken from the latest returns.

TABLE SHOWING MONTHLY RECEIPTS FOR THE WAR FUND.

Year and Month.	Public Loan Proceeds.	Exchequer Bond Receipts.	Transferred from General Acc't.	Funds div'ed from Special Acc't.	Voluntary Contributions War Fund.	Proceeds sale Govt. Property.	Receipts from Transportation.	Special Receipts.	Miscellaneous Receipts.	Total.
<b>1903</b>										
October..	—	—	—	—	—	—	—	—	—	—
November	—	—	—	—	—	—	—	—	—	—
December	—	—	—	—	—	—	—	—	—	—
<b>1904</b>										
January	—	—	—	—	—	—	—	—	—	—
February	—	—	—	—	—	—	—	—	—	—
March ..	—	1,405,500.500	—	—	58,250.750	3,176.014	—	—	44,850	58,254.617
April ..	—	12,029,962.263	—	—	778,845.125	3,176.014	—	—	4,331.316	2,191,894.555
May ..	—	18,101,736.250	—	—	257,260.405	6,919.215	—	—	2,351.316	27,258,434.463
June ..	—	7,116,440.798	—	—	184,566.012	13,291.822	—	—	5,462.360	14,569,808.913
July ..	40,040,301.005	39,166,461.273	—	—	87,392.198	31,607.575	—	—	5,073.201	47,372,478.868
August..	24,139,603.015	20,966,461.273	8,098,017.000	—	77,945.393	40,169.375	4,000.000	—	10,696.357	58,357,859.811
September	22,673,366.834	20,470,103.262	—	5,000,000.000	75,414.887	30,399.665	—	—	1,266.787	48,422,958.811
October..	—	21,672,335.262	742,166.070	—	39,473.682	31,652.662	2.350	—	1,266.787	17,007,054.774
November	—	21,672,335.262	12,520,988.000	—	55,793.116	30,473.852	—	—	15,316.239	21,109,288.728
December	18,001,538.014	16,364,778.295	10,399,536.000	13,000,000.000	118,477.638	44,637.560	—	—	37,416.620	51,230,624.000
<b>1905</b>										
January	59,016,780.878	14,762,145.250	—	—	23,256.356	69,456.340	—	—	43,946.012	73,916,384.906
February	14,672,361.859	23,269,163.475	9,419,188.000	—	10,561.262	58,743.441	—	—	21,104.058	41,549,893.833
March ..	8,973,864.251	34,656,442.948	—	7,000,000.000	151,561.262	64,138.356	—	—	1,000,653.222	41,531,093.139
April ..	31,453,800.329	19,858,965.547	17,046,766.000	—	121,362.353	68,693.858	—	18,577	37,691.716	69,510,444.201
May ..	36,109,408.118	61,077,773.513	—	5,000,000.000	81,007.777	57,263.358	—	—	45,591.163	102,373,071.500
June ..	140,239,468.286	61,462,775.946	5,994,535.000	—	8,141.252	73,688.279	—	—	156,068.882	162,672,615.913
July ..	21,706,542.714	82,962,828.306	24,742,010.000	8,600,000.000	19,991.461	61,829.259	—	—	116,068.882	164,222,725.006
August..	9,613,214.174	23,194,775.351	19,849,122.000	5,569,571.000	9,462.044	87,031.027	—	—	133,316.014	17,622,615.206
September	9,648,241.296	8,117,668.296	—	8,000,000.000	32,985.496	81,263.156	—	—	11,180.157	47,129,880.740
October..	30,119,733.769	8,641,666.258	—	—	3,213.571	142,071.004	—	—	292,126.384	47,129,880.740
November	83,831,161.047	5,641,122.098	36,763,145.000	—	2,657.431	278,093.168	—	—	36,557.464	118,119,267.787
December	60,301,307.528	259,517.853	—	—	34,590.686	265,913.066	—	—	94,054.574	61,254,253.641
<b>1906</b>										
January	19,296,482.412	73,431.046	35,577,751.000	—	12,845.189	983,039.023	28,565.520	32,719.169	497,962.947	56,392,837.268
February	—	13,616.283	—	—	2,479.423	909,791.000	235,878.040	6,028.435	8,028.435	1,547,684.243
March ..	3,070,460.000	—	8,067,005.000	—	4,936.401	1,576,640.819	1,033,149.830	81,490.132	381,642.636	13,971,671.669
Total ..	692,615,020.724	438,019,179.092	182,430,129.000	69,311,977.070	2,579,890.546	5,176,436.834	1,235,523.240	772,933.720	3,264,456.229	1,392,255,536.645

NOTE.—The figures given for each month in this Table denote the amount which was, according to returns, actually received during the month. Besides the receipts for the war loan given in this Table, loans were made as temporary accommodations; but they do not appear here as they have not yet been included in the special account revenue for extraordinary war expenses. (See Table giving details of accommodations for the war fund).

Though the receipts for the war fund showed at times a deficit as compared with the payments made for war expenses the deficit was met, on the one hand, by using war notes for the convenience of payment at the seat of war and on the other, by issuing treasury bills, making temporary loans from the Nippon Ginkō (the Bank of Japan), and temporarily transferring and using sums from the national treasury; the total amount of the deficit in the war fund from October, 1903 to March, 1906 was *yen* 234,040,000 (£23,979,508), against which *yen* 19,180,000 (£1,965,164) was transferred from the national treasury, *yen* 95,000,000 (£9,733,607) of treasury bills was issued, *yen* 77,500,000 (£7,940,574) was borrowed from the Nippon Ginkō, and *yen* 42,360,000 (£4,340,164) of war notes was used. Further details may be obtained from the following two Tables:—

TABLE GIVING A COMPARISON OF RECEIPTS FOR THE WAR FUND  
AND AMOUNTS PAID OUT FOR WAR EXPENSES.

Year and Month.	Amounts received for the War Fund.	Amounts paid out for War Expenses.	Excess of War Fund Receipts.	Deficiency of War Fund Receipts.	Total Amount to Date.	
	yen	yen	yen	yen	Excess.	Deficiency.
<b>1903</b>						
October .. ..	—	1,762,200	—	1,762,200	—	—
November .. ..	—	2,873,760	—	2,873,760	—	4,637,960
December .. ..	—	16,006,682.44	—	16,006,682.44	—	16,011,320.40
<b>1904</b>						
January .. ..	—	4,390,295.465	—	4,390,295.465	—	20,410,615.465
February .. ..	58,284.617	20,120,454.082	—	50,072,109.465	—	40,482,794.900
March .. ..	2,191,846.555	26,832,116.864	—	23,640,270.409	—	64,123,055.339
April .. ..	57,329,424.493	29,068,200.574	—	2,341,836.171	—	66,464,801.510
May .. ..	18,359,016.461	30,984,655.933	—	12,625,639.472	—	79,140,527.982
June .. ..	47,306,476.988	33,041,422.887	14,265,054.101	—	—	64,875,473.881
July .. ..	63,387,830.811	42,380,691.309	11,007,139.442	—	—	53,968,334.439
August .. ..	48,256,529.491	71,479,419.481	—	23,222,889.990	—	77,091,224.429
September .. ..	17,097,059.724	53,009,450.559	—	36,002,371.835	—	113,093,596.264
October .. ..	51,160,283.193	76,973,687.732	—	25,813,404.589	—	148,907,000.853
November .. ..	31,236,024.000	49,398,312.285	—	18,162,288.195	—	167,099,289.048
December .. ..	59,966,808.938	65,761,480.455	—	5,794,671.497	—	172,893,960.545
<b>1905</b>						
January .. ..	73,916,384.806	46,378,274.606	27,538,110.200	—	—	145,325,850.345
February .. ..	47,359,863.833	62,291,455.104	—	14,940,561.271	—	169,296,411.616
March .. ..	41,251,028.189	67,135,816.557	—	25,884,788.368	—	186,151,199.984
April .. ..	68,310,948.331	66,066,622.587	1,554,325.744	—	—	184,596,874.240
May .. ..	102,373,037.590	85,328,523.688	17,049,513.902	—	—	167,547,360.338
June .. ..	192,872,145.966	80,441,490.910	112,430,655.056	—	—	65,116,705.282
July .. ..	104,768,610.818	68,912,850.088	35,856,260.730	—	—	19,160,444.832
August .. ..	118,522,725.006	57,461,409.603	61,057,294.343	—	41,796,739.791	—
September .. ..	17,997,018.306	46,385,545.182	—	53,387,926.876	13,408,862.915	—
October .. ..	47,129,880.740	47,879,227.548	—	749,346.808	12,659,516.107	—
November .. ..	118,119,567.767	30,607,438.682	87,511,829.085	—	100,171,345.192	—
December .. ..	61,534,233.641	44,450,692.719	16,783,630.922	—	116,954,976.114	—

Year and Month.	Amounts received for the War Fund.	Amounts paid out for War Expenses.	Excess of War Fund Receipts.	Deficiency of War Fund Receipts.	Total Amount to Date.	
					Excess.	Deficiency.
<b>1906</b>	yen	yen	yen	yen	yen	yen
January .. ..	56,392,857.508	15,429,361.459	40,963,496.749	—	157,918,471.862	—
February .. ..	1,547,658.243	15,804,096.829	—	14,256,438.586	143,662,033.277	—
March .. ..	13,971,677.950	26,540,041.154	—	12,568,363.224	131,093,670.053	—
Total ..	1,392,255,555.645	1,261,161,885.592	131,093,670.053	—	—	—

NOTE:—

In this Table the total receipts for the war fund is yen 1,392,255,555.645; but if from this sum is deducted yen 365,143,045.071, which is kept in gold and forms part of yen 502,110,439.287, the amount paid in at the time of the subscriptions to the third and fourth Sterling loans, the total deficit in the war fund will be yen 234,049,375.018.

TABLE GIVING DETAILS OF ACCOMMODATIONS MADE  
TO THE WAR FUND.

Year and Month.	Total Amount to Date of the War Fund Deficit.	Accommodations.			
		Am'ts transferred from National Treasury.	Treasury Bills Issued.	Loans from the Nippon Ginkō.	War Notes used.
	yen	yen	yen	yen	yen
<b>1903</b>					
October .. ..	1,762.500	1,762.500	—	—	—
November .. ..	4,637.960	4,637.960	—	—	—
December .. ..	16,911,330.000	9,011,320.000	—	7,000,000.000	—
<b>1904</b>					
January .. ..	29,410,615.465	8,410,615.465	—	12,000,000.000	—
February .. ..	40,482,784.930	11,815,784.930	—	28,000,000.000	607,000.000
March .. ..	64,123,055.339	19,163,455.339	—	41,500,000.000	2,450,000.000
April .. ..	66,464,891.510	18,579,039.810	—	43,500,000.000	4,385,551.700
May .. ..	79,140,527.982	17,943,899.282	—	55,500,000.000	6,696,987.700
June .. ..	64,875,473.881	19,811,908.581	—	35,500,000.000	8,563,565.609
July .. ..	53,868,334.439	8,129,858.739	—	27,500,000.000	18,238,475.700
August .. ..	77,091,224.429	6,886,569.629	—	29,500,000.000	41,704,654.800
September .. ..	113,093,596.564	13,455,838.864	—	50,000,000.000	49,637,757.400
October .. ..	148,907,000.853	30,530,113.953	—	58,500,000.000	59,876,886.900
November .. ..	167,069,289.048	25,093,051.848	—	79,500,000.000	62,476,237.200
December .. ..	172,893,960.545	21,254,133.445	—	92,000,000.000	59,699,827.100
<b>1905</b>					
January .. ..	145,325,850.345	41,656,116.945	—	45,000,000.000	58,669,733.400
February .. ..	160,296,411.616	36,733,945.516	10,000,000.000	50,500,000.000	63,032,466.100
March .. ..	186,151,199.984	61,525,590.579	10,000,000.000	42,500,000.000	70,125,609.605
April .. ..	184,596,874.240	39,325,600.640	35,000,000.000	20,500,000.000	89,771,273.600
May .. ..	167,547,360.338	41,988,642.738	35,000,000.000	4,000,000.000	86,558,717.600
June .. ..	190,519,004.176	58,131,003.676	35,000,000.000	9,000,000.000	88,388,000.500
July .. ..	160,459,770.649	29,216,664.649	35,000,000.000	—	96,241,105.400
August .. ..	150,708,115.600	26,102,779.800	35,000,000.000	—	89,605,335.800
September .. ..	183,657,476.353	42,634,394.653	35,000,000.000	19,000,000.000	87,003,081.700
October .. ..	197,537,047.567	18,134,654.967	65,000,000.000	34,000,000.000	80,492,392.950
November .. ..	193,465,190.422	13,694,147.472	70,000,000.000	34,000,000.000	75,861,042.950
December .. ..	222,297,375.677	17,043,583.827	100,000,000.000	34,000,000.000	71,161,791.850
<b>1906</b>					
January .. ..	191,951,188.231	—	103,000,000.000	34,000,000.000	57,951,188.231
February .. ..	198,166,335.650	—	110,000,000.000	37,500,000.000	50,660,335.650
March .. ..	234,049,375.018	19,184,031.718	95,000,000.000	77,500,000.000	42,365,343.300

NOTES:—

The amounts of war notes used are given in this Table after deducting the amounts of notes which have been returned.

The total amounts of the war fund deficits from June, 1905 and onward given in this Table differ from the amounts in the preceding Table on account of the deduction of yen 365,143,045.071 which is kept in gold and forms part of yen 502,110,439.287 the amount paid in at the time of the subscriptions to the third and fourth Sterling loans.

## CHAPTER VII.

## War Notes.

On account of the very large amounts which would be required for the payment of war expenses, if the charges for vessels, vehicles, and horses, wages of coolies, and other military expenses were, in those portions of the seat of war where silver is in circulation, paid for always in hard money, enormous trouble and expenditure would be entailed by the transportation, custody, and handling of such money; and accordingly, as it would be extremely convenient if warrants convertible into silver could be used in its place, the Government issued war notes and gave them temporary currency by applying silver *yen* to their conversion.

The war notes are of six denominations, namely, ten *yen*, five *yen*, one *yen*, fifty *sen*, twenty *sen*, and ten *sen*; they were, within limits not exceeding the estimated amount of extraordinary war expenses, issued as means of paying war expenses in Manchuria and Korea. In Korea, where the necessity for the use of war notes has since ceased, they are being replaced by bank-notes issued by the Dai-ichi Ginkō (First Bank).

..With a view to facilitating the circulation of war notes, the Government adopted several plans for exchanging them and otherwise maintaining their credit: thus, (1) although the circulation of these notes is not permitted in Japan, to convert them for the convenience of holders thereof into current money at cash offices specified by the Department of Finance and at a definite rate of exchange to be determined by taking into account the price of gold and silver; (2) military cash departments and temporary branch cash offices to exchange the notes and field post-offices to receive them and pay them out immediately to the army; (3) ordinary Japanese post-offices in China and Korea to accept them for postal orders and savings and for the sale of postage stamps; (4) the Newchwang branch of the Yokohama Specie Bank to exchange them for silver *yen*; (5) bills to be drawn with war notes on Japan, Shanghai, Tientsin, and Chefoo by the Newchwang and Tairen branches of the Yokohama Specie Bank and the Antung-hsien branch of the Dai-ichi Ginkō (First Bank), on Tientsin and Shanghai by the Mukden branch of the Yokohama Specie Bank, and on Japan and Shanghai by the Chefoo branch of the same bank; (6) war notes to be received for deposits by the Newchwang, Tairen, Mukden, Tientsin, and Chefoo branches of the Yokohama Specie Bank and the

Antung-hsien branch of the Dai-ichi Ginkō; (7) war notes not only to be received by the Japanese military administration offices in payment of all public dues, but also to be accepted in payment of old and new Customs dues at Newchwang, for the Chinese railway and telegraph receipts, and for public dues of all kinds; and (8) to make Japanese merchants proceed to Manchuria and while extending the market for their goods, accept payment in war notes.

When war notes were first used by the Japanese army in Korea, the people of that country did not understand their character and at one time some difficulty was experienced in the circulation of the notes; but upon the advance of the Japanese army into Manchuria, the circulation went smoothly in that province, and moreover, in consequence of the operation of the various plans above stated for increasing circulation, the notes continued to rise in credit so that they are now circulating freely together with the silver *yen* and almost at the same price with it.

By Law No. 66, of March, 1905, provisions were made for control with respect to the counterfeiting, alteration, and imitation of Japanese coins, paper money, bank-notes, and instruments circulating in foreign countries; and thereby control was made strict with respect to the falsification of war notes.

## CHAPTER VIII.

### Maintenance of Specie Reserve.

In connection with the payment of extraordinary war expenses, the most careful attention was given to the maintenance of specie reserve. However, as specie payment had to be made in unavoidable cases such as the purchase and bringing home of war-ships, &c., there was at times a great diminution of specie reserve; but the Government caused the Nippon Ginkō to effect an extensive absorption of specie and returned part of its loans from that bank out of the subscriptions to the Sterling loans which were raised in June, 1904 and subsequently and made the bank add the sums to its specie reserve. It was owing to these measures that the reserve actually held by the bank at the end of March, 1906 was *yen* 6,000,000 (£ 614,754) in excess of that held at the beginning of October, 1903. The details will be found in the following Table:—

**TABLE GIVING AMOUNTS OF NIPPON GINKŌ  
NOTES AND SPECIE RESERVE.**

Year and Date.	Nippon Ginkō Notes.	Compared with Amounts on October 1st, 1903.		Specie Reserve.	Compared with Amounts on October 1st, 1903.	
		Increase.	Decrease.		Increase.	Decrease.
<b>1903</b>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
October 1 ..	505,490,033.000	—	—	116,079,794.110	—	—
October 31 ..	509,292,336.000	3,712,303.000	—	116,491,948.570	412,154.460	—
November 30 ..	501,501,564.000	—	3,988,469.000	114,524,352.080	—	1,555,442.000
December 31 ..	532,930,563.000	27,430,530.000	—	116,962,184.060	682,389.950	—
<b>1904</b>						
January 31 ..	214,597,568.000	9,107,335.000	—	105,931,908.410	—	10,147,885.700
February 29 ..	221,890,490.000	16,400,367.000	—	100,931,306.680	—	15,148,487.430
March 31 ..	213,149,185.000	7,659,152.000	—	92,127,709.420	—	23,952,084.690
April 30 ..	199,019,965.000	—	6,470,068.000	90,821,572.810	—	35,558,521.300
May 31 ..	199,977,306.000	—	5,512,727.000	68,087,261.680	—	47,992,532.430
June 30 ..	232,072,757.000	26,582,724.000	—	92,793,834.190	—	23,585,059.920
July 31 ..	232,766,644.000	27,276,611.000	—	109,512,476.970	—	6,967,517.140
August 31 ..	240,266,435.000	34,879,402.000	—	117,592,001.560	1,212,807.450	—
September 30 ..	239,964,581.000	34,474,248.000	—	110,102,010.580	—	6,077,699.530
October 31 ..	240,937,503.000	35,447,470.000	—	99,157,355.870	—	16,922,438.240
November 30 ..	248,069,903.000	42,579,870.000	—	84,924,652.040	—	31,155,142.070
December 31 ..	286,625,752.000	81,135,719.000	—	83,581,256.500	—	32,498,567.910
<b>1905</b>						
January 31 ..	274,855,451.000	69,365,418.000	—	119,672,140.710	3,592,346.690	—
February 28 ..	263,484,047.000	57,994,014.000	—	119,569,194.880	3,480,480.770	—
March 31 ..	251,202,479.000	45,712,446.000	—	102,163,093.250	—	13,916,700.860
April 30 ..	238,196,171.000	32,706,138.000	—	100,574,597.550	—	15,805,496.690
May 31 ..	259,733,684.000	54,243,651.000	—	127,165,988.540	11,086,134.430	—
June 30 ..	265,514,474.000	60,024,441.000	—	107,733,010.390	—	8,346,783.720
July 31 ..	277,390,837.000	71,810,804.000	—	112,694,902.310	—	3,474,891.700
August 31 ..	263,286,209.000	57,796,176.000	—	104,443,970.480	—	11,635,823.630
September 20 ..	262,690,683.000	57,209,650.000	—	104,949,186.740	—	12,030,607.370
October 31 ..	268,995,347.000	63,593,314.000	—	103,985,201.220	—	12,094,402.890
November 30 ..	273,557,419.000	68,067,396.000	—	102,538,849.420	—	13,540,953.690
December 31 ..	312,770,819.000	107,390,786.000	—	115,595,016.480	—	494,767.630
<b>1906</b>						
January 31 ..	278,969,364.000	73,599,331.000	—	124,489,999.730	8,410,205.650	—
February 28 ..	262,569,040.000	57,079,607.000	—	124,574,374.520	8,494,580.410	—
March 31 ..	169,091,983.000	63,091,950.000	—	122,732,662.010	6,652,967.900	—

**Note:—**

The figures given for October 1st, 1903 in this Table indicate the actual amounts on the last day of the preceding month.

## CHAPTER IX.

### Receipts from Increased Taxation.

It has already been stated that, in order to obtain sources of revenue to meet the expenditures arising on account of the war, the Diet expressed its approval of two schemes of increased taxation, the first in March, 1904 and the second in December, 1904.

The first scheme of increased taxation (A) in the form of extraordinary special taxes (1) increased the land-tax, income, business, *saké*, and soy taxes, sugar excise, mining, registration, bourse, and shooting license taxes, tax on *saké* exported from Okinawa Prefecture, and various import duties; (2) imposed consumption taxes on woollen textiles and kerosene; (3) increased the amount of stamps to be affixed to documents relating to civil suits and non-contentious commercial cases; (4) by amending the regulations regarding cadastres, raised the fees chargeable in connection therewith and by altering the formalities for registration laid down in the detailed rules attached to the said regulations, increased the registration tax; and (B) put in operation the tobacco manufacture monopoly. The second scheme of increased taxation (A) by amending the Extraordinary Special Taxes Law (1) further increased the land-tax, income, business, and *saké* taxes, sugar excise, patent medicine business tax, mining, registration, bourse, and shooting license taxes, tax on *saké* exported from Okinawa Prefecture, and stamp-duty; (2) increased existing import duties and imposed new ones; (3) brought out a travelling tax, stamp duty on cheques, and placer tax and imposed a consumption tax on textiles other than woollen; (4) caused stamps to be affixed to documents relating to administrative suits; (B) established a succession tax; and (C) put in operation the salt monopoly.

The laws connected with the first scheme of increased taxation were all promulgated on the 1st April, 1904, and the Extraordinary Special Taxes Law went into force on the same day and the Tobacco Monopoly Law on the 1st July following. The laws connected with the second scheme of increased taxation were all promulgated on the 1st January, 1905, and the Extraordinary Special Taxes Amendment Law went into force on the same day, the Registration Tax Law and Succession Tax Law on the 1st April, and the Salt Monopoly Law on the 1st June of the same year; but the revised import duties were first levied upon expiration of six months after the promulgation of the Extraordinary Special Taxes Amendment Law, while the dates of enforcement slightly differed with respect to the registration tax and textiles consumption tax.

The bill presented by the Government with respect to the first scheme of increased taxation included, besides those already mentioned, consumption taxes on salt and silk tissues and the estimated receipts for the Financial Year 1904-5 amounted to *yen* 68,373,440 (£ 7,005,475); but after amendment in the Diet, the estimate fell to *yen* 62,201,879 (£ 6,373,143), so that there was a reduction of *yen* 6,170,000



(£ 632,172). The second scheme of increased taxation was, according to the original Government bill, estimated to produce *yen* 82,720,679 (£ 8,475,479) during the Financial Year 1905-6; but after amendment in the Diet, the estimated receipts were *yen* 74,128,799 (£ 7,595,163), causing thereby a decrease of *yen* 8,590,000 (£ 880,122).

The tobacco manufacture monopoly had for many years been planned by the Government which had long recognised the necessity of carrying it out as a permanent system to take the place of the leaf tobacco monopoly; and through the war it came at length to be put in operation. Upon promulgation of the Tobacco Monopoly Law, the Government commenced the sale of cigarettes on the 1st July, 1904 and of cut tobacco on the 1st April following; and besides meeting the demand at home, it is making efforts to export them and find markets for them in China and Korea. Next, with regard to the salt monopoly, the Government, with the object of finding a source of revenue to meet the expenditures connected with the war, first presented to the Diet in March, 1904 a plan for the imposition of salt excise, which, however, was rejected; but when, with the progress of the war, it became necessary to decide on the second scheme of increased taxation, then it was that the salt monopoly was brought into operation.

A comparison of the actual and estimated receipts from the first increased taxation during the Financial Year 1904-5 will show the former to have been *yen* 59,070,000 (£ 6,052,254), or *yen* 3,120,000 (£ 319,672) less than the estimate which was *yen* 62,200,000 (£ 6,372,950); but as collection had been postponed in respect of part of the sugar excise which should be included in the increased taxation receipts, *yen* 3,460,000 (£ 354,508) had to be carried over to the account for the following financial year, and if this sum were added, the total actual receipts for the year 1904-5 would be *yen* 62,530,000 (£ 6,406,762), which is slightly in excess of the estimate. Again, on comparing the estimates with the actual receipts from the first and second increased taxation during the Financial Year 1905-6 we find that the actual receipts amounted to *yen* 80,120,000 (£ 8,209,016) and *yen* 74,010,000 (£ 7,582,991) respectively against the estimates which were *yen* 76,540,000 (£ 7,842,213) and *yen* 74,120,000 (£ 7,594,262), showing an increase of *yen* 3,580,000 (£ 366,803) in the first increased taxation and a decrease of *yen* 110,000 (£ 11,270) in the second increased taxation, or a net increase of *yen* 3,460,000 (£ 354,508) in all. The details of these accounts will be found in the following two Tables.

TABLE

**RECEIPTS IN THE FINANCIAL YEAR 1904-5 FROM FIRST  
SCHEME OF INCREASED TAXATION.**

Description of tax.	Amounts received.	Estimated amounts.	Actual receipts compared with estimated amounts.	
			Excess.	Deficiency.
	yen	yen	yen	yen
Land-tax .. .. .	53,878,496.967	53,806,213.000	—	57,906.093
Income tax .. .. .	5,702,258.106	5,287,315.000	414,943.106	—
Business tax .. .. .	5,190,063.364	5,096,199.000	153,864.364	—
Tax on liquors .. .. .	153,518.859	178,484.000	—	24,965.141
Soy tax .. .. .	1,321,975.483	1,138,952.000	183,023.483	—
Sugar excise .. .. .	1,861,432.870	8,512,382.000	—	6,350,949.130
Woolen textiles consumption tax ..	4,422,625.724	2,138,661.000	2,283,964.724	—
Mining tax .. .. .	96,671.800	79,115.000	17,556.800	—
Bourse tax .. .. .	256,885.024	532,846.000	—	275,960.966
Tax on <i>sake</i> from Okinawa Prefecture	13,550.850	5,398.000	8,152.850	—
Customs duties .. .. .	2,402,786.844	2,330,633.000	72,153.844	—
Kerosene consumption tax .. .. .	1,882,963.070	1,138,509.000	644,384.070	—
Taxes: total .. .. .	47,183,158.911	50,114,797.000	—	2,931,638.089
Stamp receipts .. .. .	2,948,958.877	3,650,797.000	—	671,838.123
Tobacco Monopoly profit .. .. .	8,942,147.000	8,466,285.000	475,862.000	—
Grand total .. .. .	59,074,164.788	62,201,879.000	—	3,117,614.212

**NOTES:—**

In addition to the figures given in this Table there are receipts from sugar excise which properly belong to the increased tax dues for the year, but are carried over to the following financial year. They amount to yen 3,462,623, which if added to these dues, would bring the total receipts from increased taxation to yen 62,536,892.788, an excess of yen 335,013.788 over the estimated amount.

In addition to the increased tax receipts under the first scheme, which are given in this Table, yen 1,145,088 was collected in the Financial Year 1904-5 as increased tax dues under the second scheme; and if this sum is added, the total receipts from increased taxation in the Year 1904-5 will be yen 60,219,353; this total, however, does not include the sugar excise receipts mentioned in the preceding paragraph, which were to be carried over to the following year.

**RECEIPTS IN THE FINANCIAL YEAR 1905-6 FROM FIRST AND  
SECOND SCHEMES OF INCREASED TAXATION.**

Description of tax.	Scheme of increased taxation.	Amounts received.	Estimated amounts.	Actual receipts compared with estimated amounts.	
				Excess.	Deficiency.
		yen	yen	yen	yen
Land-tax .. .. .	First	27,892,772.600	28,549,736.000	—	686,963.400
	Second	18,472,698.898	18,649,678.000	—	167,979.102
	Total	46,325,471.498	47,199,414.000	—	864,942.502
Income tax .. .. .	First	6,686,818.153	5,266,641.000	1,420,177.153	—
	Second	6,740,970.099	5,286,462.000	1,454,508.099	—
	Total	13,427,788.252	10,553,103.000	2,874,686.252	—
Business tax .. .. .	First	5,262,636.922	5,083,016.000	179,620.922	—
	Second	6,010,094.236	5,809,097.000	201,087.236	—
	Total	11,272,731.158	10,892,923.000	380,708.158	—

Description of tax.	Scheme of increased taxation.	Amounts received.	Estimated amounts.	Actual receipts compared with estimated amounts.	
				Excess.	Deficiency.
		yen	yen	yen	yen
Tax on liquors .. .. .	First	1,775,367.326	1,971,733.000	—	196,367.674
	Second	4,604,731.696	2,566,083.000	2,128,648.696	—
	Total	6,470,098.932	4,537,818.000	1,932,280.932	—
Soy tax .. .. .	First	1,697,471.684	1,632,012.000	65,459.684	—
	Second	4,965,320.998	7,376,566.000	—	2,381,274.002
	Total	1,468,661.140	2,400,104.000	—	931,442.860
Sugar excise .. .. .	First	6,463,962.138	9,776,699.000	—	3,312,716.862
	Second	5,362,520.470	2,183,602.000	3,178,918.470	—
	Total	78,217.847	89,279.000	—	11,061.153
Tax on patent medicines ..	First	79,844.970	91,276.000	—	11,431.030
	Second	742,926.275	1,389,586.000	—	646,659.725
	Total	822,771.245	1,480,862.000	—	658,090.755
Bourse tax .. .. .	First	560,498.475	471,963.000	88,535.475	—
	Second	560,050.255	432,566.000	127,484.255	—
	Total	1,120,548.730	904,469.000	216,079.730	—
Tax on <i>saké</i> from Okinawa Prefecture .. .. .	First	9,374.663	6,578.000	2,796.663	—
	Second	58,123.997	66,577.000	—	38,453.003
	Total	37,498.662	73,155.000	—	35,656.338
Customs duties .. .. .	First	8,132,790.803	5,610,368.000	2,522,422.803	—
	Second	3,895,908.867	2,687,616.000	1,208,282.867	—
	Total	12,028,702.787	8,297,984.000	3,730,708.787	—
Travelling tax .. .. .	First	2,211,767.580	3,188,180.000	—	976,412.020
	Second	650,060.280	4,309,566.000	—	3,659,505.720
	Total	481,441.993	—	481,441.993	—
Stamp receipts .. .. .	First	2,663,194.404	3,857,975.000	—	1,194,780.596
	Second	15,512,803.064	11,021,388.000	4,489,415.064	—
	Total	18,205,998.128	14,881,363.000	3,324,635.128	—
Tobacco monopoly profit ..	First	15,614,459.765	14,440,787.000	573,672.765	—
	Second	12,469,451.77	16,239,667.000	—	3,770,215.23
	Total	80,123,074.592	76,542,224.000	3,580,850.292	—
Receipts from salt monopoly	First	74,917,908.884	74,128,769.000	—	110,890.016
	Second	154,140,983.276	159,671,023.000	3,469,969.276	—
	Total	—	—	—	—

## CHAPTER X.

### Exchequer Bonds, Extraordinary Military Expenditures Loan and Sterling Loans.

Imperial Ordinance No. 291, of 1903 and Law No. 1, of 1904 provided for the issue of exchequer bonds and raising of public loans to meet the extraordinary war expenses; and the Government, in February, 1904, issued under that Imperial Ordinance, the First Exchequer Bonds, the amount of which was *yen* 100,000,000 (£10,245,901), the rate of interest five per cent. per annum, the minimum issue-price *yen* 95 per face-value *yen* 100, and the period of redemption five years. Next, in May of the same year, the Second Exchequer Bonds of *yen* 100,000,000 (£10,245,901) were, under the

aforesaid Law No. 1, issued at the same rate of interest as the First and at the minimum issue-price of *yen* 92 per face-value *yen* 100; the difference in the issue-prices of the two series was mainly due to the fact that the period of redemption of the second was fixed at seven against five years of the first and to considerations in some degree of the condition of the money market. Again, in October of the same year, *yen* 80,000,000 (£8,196,721) were issued; the rate of interest, issue-price, and period of redemption were the same as in the case of the second series, except that the period of redemption was to be reckoned from 1905; and with respect to the interest calculated in proportion to the month in which payments of the subscription are made, a fixed sum was, for the convenience of subscribers and to simplify and expedite the process, to be paid according to the time at which the instalments were paid in. Under Law, No. 12, of 1905, the Fourth Exchequer Bonds of *yen* 100,000,000 (£10,245,901) were issued in February of that year; their rate of interest was fixed at six per cent. per annum, minimum issue-price at *yen* 90 per face-value *yen* 100, and period of redemption at seven years reckoning from September of the same year; the other conditions did not differ from those of the third series. The rise in the rate of interest as compared with the preceding issue was due to considerations of the condition of the money market. Finally, in April of the same year were issued the Fifth Exchequer Bonds of *yen* 100,000,000 (£10,245,901); the issue and amount of this series had been already decided on at the time of the fourth issue, and the two issues took place at different times solely on account of the condition of the money market; and therefore the rate of interest, issue-price, and period of redemption of the fifth series were identical with those of the fourth, the only difference being that the period of redemption of the later issue was to be reckoned from November, 1905 and a method was adopted by which, when proportionate reductions were made upon taking in subscriptions, those allotments which fell below *yen* 25 each were discarded and the amounts thus discarded were distributed among the allotments of not less than *yen* 25 each.

Next, under Law No. 1, of 1906, an Extraordinary Military Expenditures Loan of *yen* 200,000,000 (£20,491,803) was raised in February of the same year. Its rate of interest was 5 per cent. per annum and its minimum issue-price was *yen* 95 per face-value *yen* 100; and after remaining unpaid for five years from 1906, it was to be redeemed in twenty-five years counting from the year following. The loan was to be paid up in six instalments, and for the convenience of

the subscribers, it was permissible to pay in exchequer bonds of the fourth and fifth issues instead of cash, and persons so paying in exchequer bonds were entitled to preference in allotment. The interest payable in June and December, 1906, was fixed at the rate of two *yen* fifty *sen* per one hundred *yen*; and those who paid the loan in full when the second instalment was due were allowed discount at the rate of *sen* 80 per one hundred *yen* of the bonds. The other conditions of the loan did not differ from those attached to the issue of exchequer bonds. The first instalment of the loan was due on the 31st March, 1906.

Although a public loan of *yen* 100,000,000 (£10,245,901) had never before been raised at a time in our country, not only had the economic development of the country recently been so remarkable, but such was the loyalty and patriotism of the whole nation that upon announcement of the issue of exchequer bonds, they came forward in response and made the issue a brilliant success. Thus, for the first issue, there were 1,345,958 applications and the amount subscribed was *yen* 452,130,000 (£46,324,795) which was more than four times the sum called for. The amount applied for at prices above the issue-price was *yen* 33,439,000 (£3,426,127), the average price of the subscriptions accepted being *yen* 95.255 and the amount obtained in excess of the issue-price was *yen* 254,689 (£26,095). For the second issue the applications were 379,803 and the amount subscribed was *yen* 322,190,000 (£33,011,270) which was more than three times the sum required. The amount applied for at prices above the issue-price was *yen* 6,267,000 (£642,110), the average price of the subscriptions accepted being *yen* 92.016 and the amount obtained in excess of the issue-price was *yen* 16,051 (£1,644). For the third issue the applications numbered 477,778 and the amount subscribed was *yen* 245,820,000 (£25,186,475) which was more than three times the sum required. The amount applied for at prices above the issue-price was *yen* 1,872,000 (£191,803), the average price of the subscriptions accepted being *yen* 92.008, and the amount obtained in excess of the issue-price was *yen* 6,729 (£689). For the fourth issue the applications numbered 529,329 and the amount subscribed was *yen* 485,870,000 (£49,781,762) which was nearly five times the sum required. The amount applied for at prices higher than the issue-price was *yen* 77,023,000 (£7,891,700), the average price of the subscriptions accepted being *yen* 90.444, and the amount obtained in excess of the issue-price was *yen* 443,580 (£45,448). For this issue there was a very large number of foreign applicants whose subscriptions amounted to *yen* 82,000,000 (£8,401,639), more than half the sum

being at above the issue-price. This was probably due to the terms of issue being favourable to the subscriber and to the victory which had just at the time been gained at Mukden. For the fifth issue the applications numbered 655,815 and the amount subscribed was *yen* 498,260,000 (£ 51,051,229) which was nearly five times the sum required. The amount applied for at prices above the issue-price was *yen* 29,437,000 (£ 3,016,086), the average price of the subscriptions accepted being *yen* 90.042, and the amount obtained in excess of the issue-price was *yen* 41,611 (£ 4,263).

Thus, owing to the development of general economy, the issue of exchequer bonds produced brilliant results; and by observing the movements of funds at the central bank, and the times of activity and dullness of money circulation in the market, and by postponing as long as possible the dates of payment, the Government strove to maintain the smoothness of money circulation; for the fourth and fifth issues, however, the periods of payment could, it was found, be more contracted than for the previous issues.

The terms and result of each issue of exchequer bonds and the Extraordinary Military Expenditures Loan which have been described above are here tabulated for purposes of reference:—

TABLE SHOWING THE RESULTS OF ISSUES OF EXCHEQUER BONDS  
AND EXTRAORDINARY MILITARY EXPENDITURES LOAN.

Items.	Exchequer Bonds.					Extraordinary Military Expenditures Loan.
	First issue.	Second issue.	Third issue.	Fourth issue.	Fifth issue.	
Date of issue .. ..	Feb. 13, 1904.	May 23, 1904.	Oct. 12, 1904.	Feb. 27, 1905.	April 20, 1905.	Feb. 20, 1906.
Rate of interest ..	5 per cent.	5 per cent.	5 per cent.	6 per cent.	6 per cent.	5 per cent.
Period of redemption	5 years.	7 years.	7 years.	7 years.	7 years.	20 years.*
Time for payment of interest .. .. .	June and December.	March and September.	March and September.	June and December.	March and September.	June and December.
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Amount raised .. ..	100,000,000.000	100,000,000.000	80,000,000.000	100,000,000.000	100,000,000.000	100,000,000.000
Amount applied for ..	452,130,475.000	322,190,950.000	245,829,500.000	485,576,250.000	498,261,255.000	373,172,100.000
Above issue-price ..	33,439,675.000	6,567,675.000	1,872,625.000	77,023,900.000	59,437,575.000	12,100,950.000
At issue-price ..	418,690,800.000	315,923,275.000	243,956,875.000	408,552,350.000	468,823,680.000	361,071,150.000
Amount applied for in excess of issue ..	332,130,475.000	222,190,950.000	165,829,500.000	385,576,250.000	398,261,255.000	173,172,100.000
Number of applications .. .. .	1,345,968	379,803	477,778	529,329	655,085	794,102
Above issue-price ..	234,595	15,527	10,203	34,551	41,041	10,416
At issue-price ..	1,111,363	364,276	467,575	494,778	614,044	783,676
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Average amount per application .. ..	338.917	848.311	514.556	917.901	760.605	469.930
Minimum issue-price	95.000	92.000	92.000	90.000	90.000	95.000
Average price offered	95.056	92.005	92.003	90.099	90.008	95.040
Average price of subscription accepted ..	95.155	92.016	92.008	90.444	90.042	95.008

\* Including 5 years during which the Loan remains unpaid.

In May, 1904, under Imperial Ordinance No. 138 which was issued in conformity with Law No. 1 of that year, the Government raised a Sterling Loan of £10,000,000 in London and New York. It was to be floated by firms appointed to have charge of the issue. The rate of interest was six per cent. per annum, the issue-price £93. 10s. per face-value £100 Sterling, the period of redemption to terminate on the 5th April, 1911, and the loan to be secured by a first charge upon the Customs receipts. The floating of the loan in English and American markets was responded to by an enormous number of applicants and was so successful that the amount subscribed was thirty times the required sum in England and five times in America. The subscriptions to that loan were to be paid in four monthly instalments from May to August, 1904.

Next, in November, 1904, were promulgated Urgency Imperial Ordinance No. 228 and Imperial Ordinance No. 229, under which was raised in London and New York a Sterling Loan of £12,000,000. The manner of flotation and rate of interest were the same as in the case of the preceding loan, the issue-price was £90. 10s. per face-value £100, the period of redemption to terminate on the 5th October, 1911, and the loan to be secured by a second charge upon the Customs receipts on which it will have prior claim when the redemption of the first Sterling loan is completed. The loan was warmly received when subscription was invited for it in English and American markets; and the amount subscribed exceeded thirteen times the required sum in England and one and a half times in America. The English portion of the subscription to the loan was to be paid in four monthly instalments from December, 1904 to March, 1905 and the American in three instalments from December, 1904 to January, 1905.

Under Imperial Ordinance No. 78 which was promulgated in conformity with Law No. 12 in March, 1905, a Sterling Loan of £30,000,000 was raised in London and New York. Though it did not differ from the former loans in the manner of flotation, the rate of interest was lowered to  $4\frac{1}{2}$  per cent. per annum, the issue-price was £90 per face-value £100 Sterling, the period of redemption to terminate on the 15th February, 1925, and the loan to be secured by a first charge upon the profit of the tobacco monopoly. This loan, when it was floated in English and American markets, was very popular notwithstanding the fact that it was at a lower rate of interest than the previous loans; and it was so successful that the list was closed in London on the same day, the 29th March, that it was opened, and the amount subscribed exceeded in England ten times and in America

seven times the required sum. It was arranged that the English portion of the subscription to the loan should be paid in four monthly instalments from April to August, 1905, and the American in three monthly instalments from April to June, of the same year.

Next, in July, 1905 were promulgated Urgency Imperial Ordinance No. 194 and Imperial Ordinance No. 195 under which a Sterling Loan of £ 30,000,000 was raised in London, New York, and Germany. The manner of its flotation, its rate of interest, issue-price, and security were identical with those of the preceding loan; and its period of redemption was to terminate on the 10th July, 1925. It was on account of the earnest desire of German capitalists to invest in Japanese public loans that this loan was raised in Germany as well as in London and New York. Its flotation was extremely popular, and the amount subscribed was in England ten times, in America five times, and in Germany nine times the required sum. It was arranged that the English portion of the subscription should be paid in six monthly instalments from July to December, 1905, the American in three instalments, that is, in July, August, and October of the same year, and the German in four instalments, in July, August, October, and December of that year; and they have all been paid in.

The above-stated terms of the various Sterling loans may be tabulated as follows:—

#### TERMS OF STERLING PUBLIC LOANS.

Items.	6% of 1904 (1st issue).	6% of 1904 (2nd issue).	4½% of 1905 (1st issue).	4½% of 1905 (2nd issue).
Date of issue .. .. .	May 9, 1904.	Nov. 10, 1904.	March 16, 1905.	July 8, 1905.
Amount raised .. .. .	£ 10,000,000	£ 12,000,000	£ 30,000,000	£ 30,000,000
Rate of interest .. .. .	6 per cent.	6 per cent.	4½ per cent.	4½ per cent.
Issue-price .. .. .	£ 98. 10s.	£ 90. 10s.	£ 90.	£ 90.
Period of redemption .. .. .	7 years.	7 years.	20 years.	50 years.
Dates of payment of interest .. .. .	{ April 5, October 5.	{ April 5, October 5.	{ February 15, August 15.	{ January 10, July 10.
Commission per £ 100 .. .. .	£ 3. 10s.	£ 3. 15s.	£ 3. 6s.	£ 3. 6s.
Security .. .. .	Customs receipts.	Customs receipts.	Tobacco monopoly profit.	Tobacco monopoly profit.

The credit enjoyed abroad by Japanese public loans at the commencement of the war cannot be said to have been altogether satisfactory; but later when the true state of Japanese finances became known abroad, the credit of these loans gradually rose and their market prices were also enhanced. The fluctuations in the prices of the loans in London may be seen in the following diagram.



On account of the rapid increase of national loans issued, it became necessary to devise methods of maintaining their prices; and as one means towards that end, the Government, by Laws Nos. 19 and 20, of February, 1905 and Imperial Ordinance No. 20, of January in the same year, made the following provisions: namely, with respect to national loan bonds issued for the purpose of completing military preparations or of meeting extraordinary expenses connected with the war, (1) to exempt from income tax the interest accruing from such bonds, (2) in the assessment of property according to the Commercial Code, to permit the valuation of the bonds at their minimum issue-price, and (3) in the event of such bonds being offered as deposits for the good conduct of officials serving as treasurers or otherwise as guarantee deposit or security to be paid to the Government according to the provisions of laws and ordinances, their guarantee-value to be taken at their minimum issue-price. Further, by Ordinance No. 7 of the Finance Department in February, 1905, a way was opened for the payment of taxes and other revenue dues with national loan bonds to bearer which have matured and with coupons due for payment which are attached to national loan bonds to bearer.

With regard to the issue of exchequer bonds, besides the special treatment above described to which they are entitled, Article LXXXIX of the Tobacco Monopoly Law authorises the Government to issue exchequer bonds to provide compensations, purchase-money, and allowances; and the total amount of exchequer bonds issued under this provision up to the last day of March, 1906, was *yen* 12,307,700 (£ 1,261,034).

## CHAPTER XI.

### Redemption of Exchequer Bonds.

The public loans and exchequer bonds which were issued for the purpose of meeting the extraordinary war expenses were, as has already been stated, the Sterling loans amounting altogether to £ 82,000,000 and exchequer bonds aggregating *yen* 480,000,000 (£ 49,180,327); and their periods of redemption will terminate in the years between 1908 and 1925. Although these terms are approaching, yet it is considered an urgent financial measure to convert and consolidate loans bearing high interest into those of low interest; and accordingly, under Imperial Ordinance No. 241 of 1905, in accordance with the provisions of Law No. 1 of 1904 and Law No. 12 of 1905, was issued a Sterling





loan of £ 50,000,000, of which £ 25,000,000 was raised in London, Paris, New York, and Germany (the remaining £ 25,000,000 it is proposed to issue later on for the purpose of redeeming or exchanging with the six per cent. Sterling loans of £ 22,000,000) and the proceeds thereof were applied to the redemption of the exchequer bonds of the fourth and fifth issues. Of the exchequer bonds of the fourth issue were redeemed *yen* 40,000,000 (£ 4,098,360) each in March and April, 1906 and the remainder in May, while of the exchequer bonds of the fifth issue were redeemed *yen* 10,000,000 (£ 1,024,590) in May, 1906, and *yen* 32,000,000 (£ 3,278,688) in the following month and *yen* 23,000,000 (£ 2,356,557) will be redeemed in July and the remainder in the month following.

## CHAPTER XII.

### Some Important Items of General Economy.

In connection with the management of the extraordinary war expenses, it is most necessary to become acquainted with the condition of general economy in Japan in war time; accordingly, in the following pages is given a brief description of the most important matters relating thereto.

#### SECTION I.

##### *Foreign Trade.*

In 1903, on account of the failure of rice and barley crops in the preceding year and the long and unsatisfactory course of the negotiations with Russia, business of every kind became dull, and moreover, the stagnation of trade in America affected the sale of raw silk, so that the economic world generally showed symptoms of depression; but happily through the gradual recovery of the price of silver which had been continually falling since the close of the preceding year, the trade with China grew more active, and business men, becoming pessimistic as to the outcome of the negotiations with Russia which were growing more and more critical, made it their object to sell as much as possible. The result was that the total exports for the year exceeded those for 1902 by about *yen* 10,000,000 (£ 1,024,590). And with respect to the import trade of the same year, although the home demand had diminished generally, there was a great increase in the importation of rice and flour in consequence of the failure of rice and barley the

year before; and the total imports were *yen* 40,000,000 (£ 4,098,360) more than in the preceding year. And a matter which should be especially noticed as a consequence of the situation was the appreciation in price of certain articles of import which was caused by a rise in freight insurance rates.

When early in 1904 the intercourse with Russia was broken off and the war unhappily commenced, the business world rather welcomed this determined action, preferring it to a further prolongation of the uncertain situation. After the outbreak of the war the heavy rise in freight insurance rates and difficulties of transportation and communication offered some obstacles to the exportation and importation of goods, but as the command of the sea was soon gained by Japan, those obstacles never became very serious; and although no small number of able-bodied men and labourers were called out, yet owing to the adoption of various means of stimulation and encouragement, not only was there not any special decrease in production, but an increase of output was experienced in some productions; and in the raising of the enormous amount of public loans, as the calls for payment of the instalments were not made in too quick succession, no stringency was felt in the circulation of money. Consequently, the foreign trade followed the direction taken at the close of the previous year and continued to show a tendency to increase. The sale of raw silk in America suddenly became brisk early in the year; also a great demand arose for *habulæ* and other goods; and the export trade was everywhere prosperous except in the direction of Russia and North China. As to the import trade, there was, in view of the impending rise in import duties and as a consequence of the war, an increase in the importation of kerosene and sugar, and a more or less increase took place in all imports except those from North China and Korea. In fine, the first half of 1904 showed over the same period of the previous year an increase of *yen* 11,500,000 (£ 1,178,278) in exports and *yen* 16,500,000 (£ 1,690,573) in imports. Early in the second half-year the Vladivostok Squadron came out and obstructed the sea-communication, but there were no serious consequences on the general course of trade; and soon after the sea-fights in the Yellow Sea and off Ulsan, the sea-communication became free from danger, and at the same time the trade with North China which had been suspended was reopened. And the export and import trade continued to advance, and at the end of 1904 it was found that the total exports for the year reached *yen* 319,000,000 (£ 32,684,426) and the total imports *yen* 371,000,000 (£ 38,012,295), showing an excess over the figures of the

previous year of *yen* 29,000,000 (£2,971,311) in exports and *yen* 54,000,000 (£5,532,786) in imports.

Although the year 1905 opened when the war was at its height, yet the foreign trade for that year was very prosperous. The volume of import trade rose to *yen* 488,000,000 (£50,000,000), being an increase of *yen* 117,000,000 (£11,987,704) or 32 per cent. on that for the preceding year, while the volume of export trade reached *yen* 321,000,000 (£32,889,344) which exceeded the volume for the preceding year by *yen* 2,000,000 (£204,918) or 7 per cent.. This great increase in import trade was mainly due not only to the enormously increased demand for military stores, but also to the quantity of raw materials requiring to be imported from abroad for the Government and private factories which were kept extremely busy in connection with these military stores; account must also be taken of the recovery of the market as a result of the stimulus given to it by abundant rice crop of the preceding year, the surrender of Port Arthur at the beginning of 1905, the subsequent defeat of the Baltic Fleet, and the capture of the Island of Saghalien, and of the anticipations of commercial activity in the future in consequence of the successful flotation of foreign loans, restoration of peace, and the increased purchasing power brought on by the dispersal of the war fund; nor must we lose sight of the fact that anticipations of an increase in the rate of import duties were in no small degree responsible for the increased volume of import trade. Among the articles of import such raw materials as raw cotton, wool, hemp, flax, and jute, iron and steel, and leather showed a great increase in consequence of the activity of factories connected with the war and of anticipations of expansion of export trade, and there was also increased importation of machinery for industrial purposes, chemicals, dye-stuffs, peas and beans, flour, paper, cotton threads, woollen threads, and cloths of various kinds; but there was a marked decline in the importation of sugar, kerosene, coal, and vessels as a reaction against the enormous importation of the preceding year and in consequence of decreased demand for them. Other articles of import maintained their usual condition and were marked by only slight deviations from the normal amounts.

Of the chief articles of export raw silk and *habutae* which reach in value one-third of the total exports showed a marked decline compared with their export in the preceding year, though the difference was slight when compared with the export in 1903; in 1904 there was a large silk crop and consequently a heavy export was effected as trade was in a flourishing state, but in 1905 the crop was poor and moreover,

a heavy duty was newly imposed in France on imported *habutae*; still the amount exported did not fall below that for ordinary years. There was a decline in the exportation of tea on account of the tendency to dullness of the market in North America. Trade in copper was depressed in 1904; but in 1905 though the demand for it steadily declined in Japan, a constant demand for it from China for coinage purposes led to a great increase in its exportation. The export trade in cotton threads and cloths prospered on account of increased demand which was due to the smooth circulation of money owing to appreciation of silver in China and elsewhere and to anticipations of commercial activity after the restoration of peace. Finally, there was an increase in the exportation of beverages, comestibles, timber, glassware, matches, and umbrellas on account of the prosperous condition of the oriental trade and of mattings, porcelain, and earthenware in consequence of progress made in the trade with America.

In the first months of 1906, the imports showed a tendency to decrease as a result of the decline in the demand for military stores after the restoration of peace. The export trade, however, steadily increased, because the factories which had been engaged in the manufacture of military stores during the war began to make articles of commerce, those articles which had been intended for military purposes were employed for exportation, the trade with China became very active on account of appreciation of silver, and the trade with America, Great Britain, France, and India was also in a prosperous condition. The exports during the first three months of the year amounted to *yen* 86,950,000 (£ 8,908,811) and the imports to *yen* 109,040,000 (£ 11,172,131), being, when compared with the figures for the preceding year, an increase of *yen* 14,920,000 (£ 1,528,688) in exports and a decrease of *yen* 21,590,000 (£ 2,212,090) in imports. The articles of export which showed a marked increase were refined sugar, wrought copper, and raw silk, while the articles of import which show a marked decrease were rice, sole-leather, tinned plates, crude copper, raw cotton, woollen yarns, blankets, coal, and steamships.

In short, the export trade, though it was more or less affected by the war, has maintained its progressive tendency and become more promising than ever with the restoration of peace.

In the following Table is given a comparison of the amounts of exports and imports since 1903:—

**COMPARISON OF THE EXPORTS AND IMPORTS  
FOR THE LAST FOUR YEARS.**

	1906.		1905.		1904.		1903.	
	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.
	yen	yen	yen	yen	yen	yen	yen	yen
January .. ..	24,983,183	34,223,319	23,766,572	38,561,845	24,782,482	28,454,826	20,428,545	24,570,382
February .. ..	56,487,048	32,079,537	24,611,473	40,023,554	23,595,686	30,180,119	18,869,954	24,197,731
March .. ..	35,485,400	42,741,751	23,632,112	62,356,035	22,354,626	34,588,516	21,189,846	24,785,083
April .. ..	—	—	24,492,037	50,453,063	20,886,731	31,248,166	21,462,722	33,092,105
May .. ..	—	—	22,054,666	57,133,585	23,429,268	35,091,919	23,334,598	26,605,458
June .. ..	—	—	23,281,003	48,224,780	22,716,811	23,271,327	20,663,293	22,798,088
Total .. ..	—	—	142,767,953	286,462,662	137,463,703	182,634,873	125,918,757	166,048,837
July .. ..	—	—	24,287,982	35,639,142	22,373,638	23,427,113	22,632,812	27,975,179
August .. ..	—	—	27,890,574	34,589,150	29,782,644	58,719,876	31,093,950	31,462,019
September .. ..	—	—	19,532,468	36,526,517	31,088,536	30,977,629	28,195,104	19,901,102
October .. ..	—	—	19,218,431	29,267,639	34,847,611	23,414,730	30,387,771	22,033,169
November .. ..	—	—	31,598,276	32,212,649	34,693,493	33,398,231	24,768,173	22,035,740
December .. ..	—	—	36,537,927	33,870,058	59,009,278	38,588,287	26,535,976	27,614,482
Total .. ..	—	—	178,765,657	502,075,155	181,796,192	188,725,866	163,383,686	161,066,091
Grand total ..	—	—	321,533,610	488,538,817	319,260,895	371,360,739	289,302,443	317,135,518

	1906 compared with 1905.		1905 compared with 1904.		1904 compared with 1903.	
	Exports. Increase (+) or Decrease (-).	Imports. Increase (+) or Decrease (-).	Exports. Increase (+) or Decrease (-).	Imports. Increase (+) or Decrease (-).	Exports. Increase (+) or Decrease (-).	Imports. Increase (+) or Decrease (-).
	yen	yen	yen	yen	yen	yen
January .. ..	+ 1,216,611	- 4,638,526	- 1,015,910	+ 9,807,919	+ 4,554,257	+ 3,884,464
February .. ..	+ 1,855,575	- 7,944,017	+ 1,335,787	+ 9,843,435	+ 4,405,732	+ 5,982,388
March .. ..	+ 11,853,288	- 9,614,284	+ 1,577,487	+ 18,067,519	+ 1,214,780	- 496,567
April .. ..	—	—	+ 3,515,306	+ 19,054,897	- 575,991	- 1,843,939
May .. ..	—	—	- 474,703	+ 22,041,666	+ 94,770	+ 8,486,461
June .. ..	—	—	+ 664,282	+ 24,863,453	+ 2,653,418	+ 573,239
Total .. ..	—	—	+ 5,302,250	+ 103,827,989	+ 11,546,946	+ 16,586,046
July .. ..	—	—	+ 1,914,324	+ 12,182,019	- 229,154	- 4,548,066
August .. ..	—	—	- 1,892,070	+ 5,869,274	- 1,311,306	- 2,742,143
September .. ..	—	—	- 1,556,068	+ 5,548,888	+ 2,893,432	+ 11,016,527
October .. ..	—	—	- 5,639,180	+ 4,147,091	+ 4,459,849	+ 11,376,561
November .. ..	—	—	- 3,393,190	- 1,385,582	+ 9,925,592	+ 11,562,491
December .. ..	—	—	+ 7,528,649	+ 4,718,229	+ 2,473,402	+ 10,973,805
Total .. ..	—	—	- 3,469,535	+ 13,349,289	+ 18,211,506	- 37,639,175
Grand total ..	—	—	+ 2,572,715	+ 117,177,578	+ 59,768,432	+ 54,253,221

## SECTION II.

### *Money Market.*

The condition of the money market in war time varies according to locality in its economic circumstances and degree of activity; but it may be said, taking it as a whole, that as a result of the war the economic world was at one time in a depressed state, there was little



demand for capital and, owing to the cautious attitude of the money market, advances were naturally reduced, and, moreover, through encouragement of thrift, deposits increased and caused slackness of money. But later, the successive victories aroused the public feeling, and with the increase in the demand for military stores the economic world began at length to recover from its depression and has, especially from the beginning of 1905, been in a prosperous condition, and brought on an active movement of capital. In the latter half of 1905, however, the public spirit was suddenly depressed owing to the various rumours afloat respecting the conditions of peace and moreover, the economic world anticipating the failure of rice crop, took a cautious attitude, so that the demand for money began to decrease. And the amount of sale of our exchequer bonds and securities abroad rapidly increased, and consequently there was a continuous influx of foreign capital into the country. Under these circumstances the circulation of money remained easy in the latter half of 1905 and still so continued at the beginning of 1906.

#### A. *Bank Deposits and Postal Savings.*

It is but a common phenomenon that the general public feeling should become tense in time of war; and at the commencement of the war, the Government, with the object of increasing the supply of sources of revenue to meet the extraordinary expenditures connected with the war, made, on the one hand, very great reductions in the expenditures of the Government and local bodies, and, on the other, encouraged thrift. Moreover, the war being an affair of the gravest importance, had also a corresponding influence on the public feeling. The nation as a whole, out of sympathy for the hardships of the officers and men at the front and in anticipation of the long duration of the war, did its best to practise thrift; and at the same time the defrayment of huge war expenses enriched the home market and naturally augmented the receipts of those connected with the supply of military stores, and consequently an increase took place in bank deposits and postal savings. Especially has the increase been remarkably rapid with respect to the latter on account of the increased incomes of the lower classes and of the various facilities afforded by the Government for the deposit of such savings.

General deposits at the Nippon Ginkō, which amounted, in October, 1903, to *yen* 8,000,000 (£ 819,672) gradually fell with the approach of the year-end settling time until in December of that year

they stood at *yen* 3,000,000 (£ 307,377); but since the opening of hostilities, owing to the general practice of the habit of thrift in town and country, deposits naturally increased, and in February, 1904, they were at *yen* 12,000,000 (£ 1,229,508) and in May *yen* 13,000,000 (£ 1,331,967), and after more or less fluctuations in the interval, they remained even in December, the year-end settling time, at *yen* 12,000,000 (£ 1,229,508). They fell in January following to *yen* 6,000,000 (£ 614,754), but rose again and exceeded *yen* 14,000,000 (£ 1,434,426) in May and then fell to *yen* 4,000,000 (£ 409,836) in July, after which they rose and stood at *yen* 14,000,000 (£ 1,434,000) in December. At the beginning of 1906, the deposits generally showed an increasing tendency. They fell in January to *yen* 8,000,000 (£ 819,672) but rose again and stood at over *yen* 26,000,000 (£ 2,663,934) in March. A remarkable increase since the outbreak of the war is also to be noted in the deposits at the banks in the chief localities of the Empire. These deposits which stood in October, 1903, at *yen* 435,000,000 (£ 44,569,672) rose in June of the year following to *yen* 449,000,000 (£ 46,004,098) and in December to *yen* 465,000,000 (£ 47,643,442), and ever since April, 1905, have exceeded *yen* 500,000,000 (£ 51,229,508) and in March, 1906, stood at *yen* 599,000,000 (£ 61,372,949).

The Postal Savings which amounted to *yen* 31,000,000 (£ 3,176,229) in October, 1903, stood at *yen* 33,000,000 (£ 3,381,147) in June following and steadily rose to *yen* 38,000,000 (£ 3,893,442) in December, and rose still further from the beginning of 1905 until in September they exceeded *yen* 50,000,000 (£ 5,122,950) and in March, 1906, stood at over *yen* 53,000,000 (£ 5,430,327).

In the following two Tables are given the monthly amounts of bank deposits and postal savings, together with a comparison of such amounts:—

COMPARATIVE TABLE OF AMOUNTS OF BANK DEPOSITS.

Year and Month.	Nippon Ginkō general deposits.	Chief localities bank deposits.	Compared with October, 1903.			
			Nippon Ginkō General deposits.		Chief localities bank deposits.	
			Increase	Decrease.	Increase.	Decrease.
	yen	yen	yen	yen	yen	yen
<b>1903</b>						
October .. ..	8,009,518	435,569,832	—	—	—	—
November .. ..	7,338,308	436,908,251	—	731,215	1,338,419	—
December .. ..	3,916,546	437,729,540	—	4,152,972	2,159,708	—
<b>1904</b>						
January .. ..	6,950,769	432,866,500		2,018,749		2,703,332
February .. ..	12,980,511	437,991,114	4,910,993	—	2,421,282	—
March .. ..	9,387,482	439,164,210	1,317,964	—	3,594,378	—

Year and Month.	Nippon Ginkō general deposits.	Chief localities bank deposits.	Compared with October, 1903.					
			Nippon Ginkō General deposits.		Chief localities bank deposits.			
			Increase.	Decrease.	Increase.	Decrease.		
	yen	yen	yen	yen	yen	yen	yen	yen
<b>1904</b>								
April .. .. .	9,795,880	435,588,716	1,736,571	—	—	—	—	281,116
May .. .. .	13,898,476	444,043,487	5,738,968	—	—	8,473,655	—	—
June .. .. .	9,988,235	449,073,237	1,918,717	—	—	13,593,405	—	—
July .. .. .	12,578,572	460,876,765	4,599,354	—	—	25,396,933	—	—
August .. .. .	7,615,972	449,586,427	—	453,546	—	14,016,595	—	—
September .. .. .	8,932,965	459,564,827	863,447	—	—	23,694,995	—	—
October .. .. .	9,036,596	453,602,851	967,038	—	—	18,033,019	—	—
November .. .. .	9,281,168	457,067,753	1,211,640	—	—	21,497,921	—	—
December .. .. .	12,424,794	465,656,014	4,355,186	—	—	39,086,182	—	—
<b>1905</b>								
January .. .. .	6,677,266	467,017,987	—	1,392,552	—	31,448,155	—	—
February .. .. .	11,221,210	483,015,106	3,151,692	—	—	47,475,274	—	—
March .. .. .	11,749,376	488,912,749	3,679,858	—	—	53,342,917	—	—
April .. .. .	13,664,282	500,611,524	5,594,764	—	—	65,071,692	—	—
May .. .. .	14,848,309	501,342,091	6,778,791	—	—	65,772,599	—	—
June .. .. .	11,549,778	517,498,209	3,480,560	—	—	81,838,377	—	—
July .. .. .	4,679,119	504,481,545	—	3,399,399	—	68,911,713	—	—
August .. .. .	6,925,822	502,686,434	—	1,145,696	—	67,116,602	—	—
September .. .. .	6,205,645	514,435,608	—	1,803,873	—	68,865,776	—	—
October .. .. .	7,554,851	514,337,420	—	514,667	—	78,767,588	—	—
November .. .. .	6,278,493	518,657,873	—	1,791,025	—	83,088,041	—	—
December .. .. .	14,025,267	531,354,445	5,965,749	—	—	98,784,613	—	—
<b>1906</b>								
January .. .. .	8,499,739	549,010,620	439,221	—	—	104,470,788	—	—
February .. .. .	16,234,298	561,053,765	8,172,780	—	—	125,483,873	—	—
March .. .. .	28,369,631	599,108,931	18,399,113	—	—	163,539,099	—	—

NOTE:—

Deposits at the banks in chief localities of the Empire comprise fixed deposits, current deposits, petty current deposits, savings deposits, and all other deposits at the principal banks in about 170 important localities.

#### COMPARATIVE TABLE OF AMOUNTS OF POSTAL SAVINGS.

Year and Month.	Actual amount of postal savings.	Compared with October, 1903.	
		Increase.	Decrease.
	yen	yen	yen
<b>1903</b>			
October .. .. .	31,709,261	—	—
November .. .. .	31,736,494	27,233	—
December .. .. .	31,257,222	—	452,039
<b>1904</b>			
January .. .. .	31,370,029	—	489,232
February .. .. .	30,760,082	—	949,229
March .. .. .	31,011,014	—	698,247
April .. .. .	31,096,826	—	612,485
May .. .. .	31,532,617	—	176,644
June .. .. .	33,309,089	1,599,828	—
July .. .. .	34,495,260	2,785,999	—
August .. .. .	35,260,059	3,550,798	—
September .. .. .	36,447,479	4,738,218	—

Year and Month.	Actual amount of postal savings.	Compared with October, 1903.	
		Increase.	Decrease.
	yen	yen	yen
October .. .. .	87,224,115	5,514,854	—
November.. .. .	87,776,598	6,067,332	—
December .. .. .	88,117,526	6,408,265	—
<b>1905</b>			
January .. .. .	88,959,686	7,250,425	—
February .. .. .	89,862,112	8,152,851	—
March .. .. .	40,889,578	9,180,317	—
April .. .. .	41,346,310	9,687,049	—
May .. .. .	42,705,490	10,996,229	—
June .. .. .	43,727,891	12,018,180	—
July .. .. .	46,526,844	14,817,588	—
August .. .. .	48,058,870	16,349,109	—
September .. .. .	50,087,588	18,328,327	—
October .. .. .	50,532,645	18,828,384	—
November.. .. .	52,227,946	20,518,685	—
December .. .. .	52,156,352	20,441,091	—
<b>1906</b>			
January .. .. .	52,001,658	20,292,397	—
February .. .. .	53,008,328	21,299,062	—
March .. .. .	53,482,918	21,723,657	—

### B. Bank Loans.

At the commencement of the war, the loans advanced by the various banks were reduced on account of the depression in commercial circles and the cautious attitude of the money market; but subsequently, with the increased demand for military stores and the revival of trade as a result of continued victories, those loans gradually increased. Thus, private loans advanced by the Nippon Ginkō, which stood at *yen* 24,000,000 (£ 2,459,016) in October, 1903, rose in December, the year-end settling time, to *yen* 50,000,000 (£ 5,122,951); but from the beginning of the following year they were gradually recovered and fell to *yen* 25,000,000 (£ 2,561,475) or *yen* 24,000,000 (£ 2,459,016) in April and May, and up to November, notwithstanding slight fluctuations, presented no specially changed aspect; this was, in fact, due to the diminished demand for new capital on account of the caution observed generally by the money market and of abstention from fresh undertakings. Only, in December, there arose a sudden demand for capital for the purpose of taking in stock of military stores and dealing in articles imported in anticipation of the imposition of new duties; and the loans rose to *yen* 79,000,000 (£ 8,094,262). Since then they have shown a tendency to increase as the result of

the briskness of trade and in July, 1905, the figures rose to over *yen* 100,000,000 (£10,245,902). The loans began gradually to be recovered from August owing to the passing of the *bon* (the usual time for settling the first half-year's accounts) and fell in the following month to *yen* 68,000,000 (£6,967,213). Even at the end of the year, the loans amounted only to *yen* 53,000,000 (£5,430,328) against over *yen* 68,000,000 (£6,967,213) in the corresponding period of 1904, if we deduct from them the amount of treasury bills taken up by the Bank. At the beginning of 1906, the loans were withdrawn very rapidly and in consequence they went on decreasing from January till March, when they fell to *yen* 22,000,000 (£2,254,098).

The loans advanced by the banks in the chief localities of the Empire, which stood at *yen* 449,000,000 (£46,004,098) in October, 1903, fell at one time to *yen* 445,000,000 (£45,594,262) or *yen* 446,000,000 (£45,696,721) in March and April of the following year. But they soon began to increase and stood at *yen* 471,000,000 (£48,258,196) in December. When the new year opened, so far from there being any withdrawal, the loans steadily rose until they reached *yen* 510,000,000 (£52,254,098) in August, after which the amount began to decrease and fell in December to *yen* 509,000,000 (£52,151,639) and in March, 1906 to *yen* 504,000,000 (£51,639,344).

In the following Table are given the monthly amounts of loans advanced by the various banks, together with a comparison of such amounts:—

COMPARATIVE TABLE OF LOANS ADVANCED BY VARIOUS BANKS.

Year and Month.	Nippon Ginkō (including Treasury Bills discounted *).	Banks in Chief Localities.	Compared with October, 1903.			
			Nippon Ginkō.		Banks in Chief Localities.	
			Increase.	Decrease.	Increase.	Decrease.
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
<b>1903</b>						
October .. ..	24,184,384 5,345,000	449,702,594	—	—	—	—
November .. ..	21,443,799 5,345,000	450,835,436	—	2,750,585	1,132,642	—
December .. ..	50,721,954 5,345,000	480,718,018	16,527,570	—	31,025,424	—
<b>1904</b>						
January .. ..	38,640,565 5,345,000	460,410,088	14,446,581	—	10,707,494	—
February .. ..	39,809,985	449,473,748	15,615,611	—	—	118,846
March .. ..	30,138,850	445,342,923	5,944,406	—	—	4,359,671
April .. ..	25,815,103	446,532,403	1,620,719	—	—	3,170,191
May .. ..	24,807,764	450,676,685	613,370	—	974,091	—
June .. ..	42,840,565	465,912,980	18,646,181	—	16,210,386	—
July .. ..	32,066,275	470,686,569	7,871,891	—	20,993,975	—
August .. ..	44,075,602	475,066,867	19,881,218	—	25,364,273	—
September .. ..	35,255,370 3,000	465,619,918	11,660,966	—	15,917,334	—

Year and Month.	Nippon Ginkō (including Treasury Bills discounted *).	Banks in Chief Localities.	Compared with October, 1903.			
			Nippon Ginkō.		Banks in Chief Localities.	
			Increase.	Decrease.	Increase.	Decrease.
	yen	yen	yen	yen	yen	yen
October .. .. .	40,354,092	457,204,876	16,360,608	—	7,302,282	—
November .. .. .	46,101,794 5 0,000	455,758,556	21,907,410	—	6,055,962	—
December .. .. .	79,317,178 11,139,600	471,628,838	55,122,794	—	21,226,244	—
<b>1905</b>						
January .. .. .	71,457,696 16,665,600	471,069,530	47,563,312	—	21,266,906	—
February .. .. .	52,634,266 16,665,600	460,843,245	28,309,622	—	11,140,651	—
March .. .. .	69,585,151 7,841,090	484,067,579	45,096,767	—	34,264,985	—
April .. .. .	72,417,404 2 948,000	488,011,023	48,623,020	—	38,308,429	—
May .. .. .	74,853,901 14,664,000	493,065,173	50,650,517	—	43,302,579	—
June .. .. .	85,663,537 13,220,000	512,304,382	61,409,153	—	62,601,788	—
July .. .. .	100,357,661 21,430,000	509,166,771	76,162,977	—	69,824,177	—
August .. .. .	96,573,199 23,382,000	513,319,740	72,376,815	—	63,617,146	—
September .. .. .	68,151,136 11,266,000	501,411,105	44,056,752	—	51,708,611	—
October .. .. .	92,491,193 41,807,000	513,032,510	68,296,809	—	63,329,916	—
November .. .. .	80,244,430 39,838,000	501,668,268	56,030,046	—	51,905,774	—
December .. .. .	119,233,187 65,894,000	509,142,165	95,038,803	—	59,439,671	—
<b>1906</b>						
January .. .. .	80,378,663 36,769,000	497,553,899	56,184,579	—	47,651,305	—
February .. .. .	58,921,215 33,204,000	493,462,554	34,798,031	—	48,789,960	—
March .. .. .	60,576,844 2,757,000	504,285,321	—	1,918,540	54,582,727	—

## NOTE:—

Loans of the banks in chief localities of the Empire comprise loans, overdrafts, discounted bills, and documentary drafts of the principal banks in about 170 important localities.

C. *Rate of Interest.*

Notwithstanding the general slackness of money circulation since the preceding year, the further diminution of demand for capital after the outbreak of the war and the universal recommendation of thrift brought on an increase in bank deposits and postal savings; and as no great effect was produced at first by the issue of exchequer bonds, money circulation became more slack than before. Later on, however, as the transportation of military stores began to be more brisk, there came also greater activity in commerce; and at the same time with the absorption of capital by the issue of exchequer bonds, the rate of interest, too, gradually rose. Thus, the rate of interest on fixed deposits throughout the country which was 6 per cent. in October, 1903,

fell in November 1/10 per cent. and long remained at 5.9 per cent.; but in April, 1904, returned to 6 per cent. After July, 1905, it showed an upward tendency; it stood at 6.1 per cent. in November and at 6.2 per cent. in December, and then it began to fall and stood at 6.1 per cent. in March, 1906. The daily rate of discount, also, which stood at *sen* 2.84 in October, 1903, gradually rose upon the outbreak of the war until it reached *sen* 2.98 in August, 1904 and *sen* 3.00 in January following. It rose further to *sen* 3.08 in August, and then it began to fall and stood at *sen* 3.02 in December and at *sen* 2.89 in March, 1906. The rate of interest of the Nippon Ginkō (Bank of Japan) was raised *sen* .20 each in July and December, 1904 and in June, 1905, but was reduced by *sen* .20 in March, 1906.

In the following two Tables are given the monthly fluctuations in the rate of interest throughout the country and at the Nippon Ginkō.

#### FLUCTUATIONS IN THE RATE OF INTEREST THROUGHOUT THE COUNTRY.

Year and Month.	Interest on Fixed Deposits.	Daily rate of Discount.	Compared with October, 1903.			
			Interest on Fixed Deposits.		Daily rate Discount.	
			Increase.	Decrease.	Increase.	Decrease.
	per cent.	<i>sen</i>	per cent.	per cent.	<i>sen</i>	<i>sen</i>
<b>1903</b>						
October .. .. .	6.00	2.84	—	—	—	—
November .. .. .	5.90	2.81	—	0.10	—	0.03
December .. .. .	5.90	2.84	—	0.10	—	—
<b>1904</b>						
January .. .. .	5.90	2.84	—	0.10	—	—
February .. .. .	5.90	2.92	—	0.10	0.08	—
March .. .. .	5.90	2.91	—	0.10	0.07	—
April .. .. .	6.00	2.92	—	—	0.08	—
May .. .. .	6.00	2.93	—	—	0.09	—
June .. .. .	6.00	2.93	—	—	0.09	—
July .. .. .	6.00	2.97	—	—	0.13	—
August .. .. .	6.00	2.98	—	—	0.14	—
September .. .. .	6.00	2.97	—	—	0.13	—
October .. .. .	6.00	2.96	—	—	0.12	—
November .. .. .	6.00	2.94	—	—	0.10	—
December .. .. .	6.00	2.99	—	—	0.15	—
<b>1905</b>						
January .. .. .	6.00	3.00	—	—	0.16	—
February .. .. .	6.00	2.97	—	—	0.13	—
March .. .. .	6.00	2.94	—	—	0.10	—
April .. .. .	6.00	2.96	—	—	0.12	—
May .. .. .	6.00	2.95	—	—	0.11	—
June .. .. .	6.00	3.00	—	—	0.16	—
July .. .. .	6.10	3.04	0.10	—	0.20	—

Year and Month.	Interest on Fixed Deposits.	Daily rate of Discount.	Compared with October, 1903.			
			Interest on Fixed Deposits.		Daily rate Discount.	
			Increase.	Decrease.	Increase.	Decrease.
	per cent.	sen	per cent.	per cent.	sen	sen
August .. .. .	6.10	8.08	0.10	—	0.24	—
September .. ..	6.20	8.07	0.20	—	0.28	—
October .. .. .	6.20	8.05	0.20	—	0.21	—
November .. .. .	6.10	8.04	0.10	—	0.20	—
December .. .. .	6.20	8.02	0.20	—	0.18	—
<b>1906</b>						
January .. .. .	6.20	3.01	0.20	—	0.17	—
February .. .. .	6.10	2.96	0.10	—	0.12	—
March .. .. .	6.10	2.89	0.10	—	0.05	—

**FLUCTUATIONS IN THE RATE OF INTEREST AT THE  
NIPPON GINKŌ.**

Year and Month.	Interest on Loans.	Rate of discount at the Bank.	Compared with October, 1903.	
			Interest on Loans. Increase.	Rate discount. Increase.
	sen	sen	sen	sen
<b>1903</b>				
October .. .. .	1.70	1.60	—	—
November .. .. .	1.70	1.60	—	—
December .. .. .	1.70	1.60	—	—
<b>1904</b>				
January .. .. .	1.70	1.60	—	—
February .. .. .	1.70	1.60	—	—
March .. .. .	1.70	1.60	—	—
April .. .. .	1.70	1.60	—	—
May .. .. .	1.70	1.60	—	—
June .. .. .	1.70	1.60	—	—
July .. .. .	1.70	1.60	—	—
August .. .. .	1.90	1.80	0.20	0.20
September .. .. .	1.90	1.80	0.20	0.20
October .. .. .	1.90	1.80	0.20	0.20
November .. .. .	1.90	1.80	0.20	0.20
December .. .. .	1.90	1.80	0.20	0.20
	2.10	2.00	0.40	0.40
<b>1905</b>				
January .. .. .	2.10	2.00	0.40	0.40
February .. .. .	2.10	2.00	0.40	0.40
March .. .. .	2.10	2.00	0.40	0.40
April .. .. .	2.10	2.00	0.40	0.40
May .. .. .	2.10	2.00	0.40	0.40
June .. .. .	2.10	2.00	0.40	0.40
July .. .. .	2.30	2.20	0.60	0.60
August .. .. .	2.30	2.20	0.60	0.60



Year and Month.	Interest on Loans.	Rate of discount at the Bank.	Compared with October, 1903.	
			Interest on Loans. Increase.	Rate discount. Increase.
	sen	sen	sen	sen
<b>1905</b>				
September .. .. .	2.30	2.20	0.60	0.60
October .. .. .	2.30	2.20	0.60	0.60
November .. .. .	2.30	2.20	0.60	0.60
December .. .. .	2.30	2.20	0.60	0.60
<b>1906</b>				
January .. .. .	2.30	2.20	0.60	0.60
February .. .. .	2.30	2.20	0.60	0.60
March .. .. .	2.30	2.20	0.60	0.60
	2.10	2.00	0.40	0.40

NOTE:—

The rates of interest on loans and rates of discount in this Table are those of the Head Office.

#### D. Prices.

Although the prices have since the commencement of the war generally shown an upward tendency, they have not been seriously affected. Naturally, it was inevitable that special circumstances connected with the war should raise the prices of particular articles. If the prices of principal articles in October, 1903 be taken as 100 and their fluctuations since that month be considered, we shall find that they rose in February, 1904 to 104.47 and in the following month to 105.07, then fell till they were at 100.78 in June, after which they rose again, being at 109.63 in December, and then though they showed a slightly downward tendency at the beginning of 1905, they rose again, reaching 115.66 in August and 116.41 in December of that year, and 116.76 in March, 1906. The principal commodities which thus rose in price were barley, wheat, soja and red beans, wheaten flour, salt, *miso*, soy, coal, timber, nails, copper, shirtings, and woollen cloths, which were, through difficulties in importation, imposition of the extraordinary special taxes, or special demand in war time, all directly or indirectly affected by the war.

The details of the monthly fluctuations of prices above referred to are given in the following Table:—

## FLUCTUATIONS OF PRICES IN CHIEF LOCALITIES.

Year and Month.	Index-number.	Compared with October, 1903.	
		Increase.	Decrease.
<b>1903</b>			
October .. .. .	100.00	—	—
November.. .. .	99.88	—	0.17
December .. .. .	100.84	0.84	—
<b>1904</b>			
January .. .. .	102.46	2.46	—
February .. .. .	104.47	4.47	—
March .. .. .	105.07	5.07	—
April .. .. .	108.48	8.48	—
May .. .. .	102.87	2.87	—
June .. .. .	110.78	0.78	—
July .. .. .	101.16	1.16	—
August .. .. .	103.14	3.14	—
September.. .. .	105.25	5.25	—
October .. .. .	107.86	7.86	—
November.. .. .	108.60	8.60	—
December .. .. .	109.63	9.63	—
<b>1905</b>			
January .. .. .	109.10	9.10	—
February .. .. .	108.14	8.14	—
March .. .. .	108.72	8.72	—
April .. .. .	108.98	8.98	—
May .. .. .	110.66	10.66	—
June .. .. .	111.20	11.20	—
July .. .. .	113.22	13.22	—
August .. .. .	115.66	15.66	—
September.. .. .	115.45	15.45	—
October .. .. .	115.49	15.49	—
November.. .. .	116.28	16.28	—
December .. .. .	116.41	16.41	—
<b>1906</b>			
January .. .. .	116.28	16.28	—
February .. .. .	116.73	16.73	—
March .. .. .	116.76	16.76	—

## NOTE:—

The Index numbers in this Table are calculated from the averages of the prices of rice and 66 other articles ruling in Tōkyō, Ōsaka, Kyōto, Moji, Nagoya, Hakodate, Otaru, and Fukushima.

E. *Wages.*

Throughout 1903 there were no unusual fluctuations in wages, with the exception of a slight rise towards the end of the year which is a busy season for labour of all kinds. Thus, if the average wages of the

principal kinds of labour in October of that year be taken as 100, we shall find on comparing their fluctuations since that month, that beyond standing at 101 in November and at 102 in December, the figures showed no remarkable changes. In 1904, after the outbreak of the war, the encouragement of thrift in all classes of society and postponement and suspension of enterprises led to more or less slackness of labour, but these influences were, subsequently, counterbalanced by the great activity of enterprises directly connected with the war and dearth of labour by reason of its absorption by the war, which, therefore, saved labour from any great decline. In May and June the wages fell to 93, but began to recover from the end of the year till the opening of the new year, during which time the public spirit generally was rising. Though there was a slight fall in the beginning of 1905, still the number stood at 98 and rose in June to 100 and in December to 115.

In the following Table are given the monthly fluctuations of the wages above referred to.

#### FLUCTUATIONS IN WAGES FOR PRINCIPAL KINDS OF LABOUR.

Year and Month.	Index-number.	Compared with October, 1903.	
		Increase.	Decrease.
<b>1903</b>			
October .. .. .	100	—	—
November.. .. .	101	1	—
December .. .. .	102	2	—
<b>1904</b>			
January .. .. .	97	—	3
February .. .. .	97	—	3
March .. .. .	96	—	4
April .. .. .	94	—	6
May .. .. .	93	—	7
June .. .. .	93	—	7
July .. .. .	94	—	6
August .. .. .	94	—	6
September .. .. .	95	—	5
October .. .. .	98	—	2
November.. .. .	100	—	—
December .. .. .	102	2	—
<b>1905</b>			
January .. .. .	98	—	2
February .. .. .	98	—	2
March .. .. .	98	—	2
April .. .. .	98	—	2
May .. .. .	99	—	1

Year and Month.	Index-number.	Compared with October, 1903.	
		Increase.	Decrease.
June .. .. .	100	—	—
July .. .. .	103	8	—
August .. .. .	103	8	—
September.. .. .	106	6	—
October .. .. .	109	9	—
November.. .. .	111	11	—
December .. .. .	115	15	—
<b>1906</b>			
January .. .. .	no returns	—	—
February .. .. .	no returns	—	—
March .. .. .	no returns	—	—

NOTE:—

The index numbers in this Table are calculated upon the averages of the wages in Tôkyô and Ôsaka of twenty-four descriptions of labourers, namely, carpenters, sawyers, plasterers, tile-roofers, roofers, floor-mat makers, cotton-beaters, oil-pressers, ship-carpenters, compositors, building and common labourers, navvies, brick-layers, makers of vehicles, paper-hangers, door and screen makers, clog-makers, shoemakers, Japanese-dress makers, foreign-style tailors, lacquerers, and hired labourers at saké breweries and soy manufactories.

### SECTION III.

#### *Issue of Savings Loan Bonds.*

It is most important for the defrayment of enormous war expenses in time of war to promote economic harmony by absorbing the small capitals scattered among the people and at the same time to put them to needful uses. Accordingly, the Government studied the means, besides those of field post-office money orders and savings, of recovering as much as possible of the sums already paid out for war expenses; and presented to the Diet in 1904 the Savings Mortgage Loan Bonds Bill; it was, however, amended in the House of Peers and renamed the Savings Loan Bonds Bill, under which title it passed both Houses.

The Savings Loan Bonds Law provides that (1) the Government be authorised to cause the Hypothec Bank to issue savings loan bonds, (2) the said loan bonds be to bearer with interest-coupons attached, their face-value be Five *yen*, bearing an interest of not more than four per cent. per annum, and the bonds be redeemed within twenty years counting from the year following that of issue by means of drawings at least once a year; (3) in such cases premiums not exceeding a hundred times the face-value of the bonds may be given; and (4) the amount obtained from the said bonds be deposited in the Deposit Section of the Finance Department.

The savings loan bonds may, without resorting to the usual invitation for subscriptions, be issued by putting them on sale for a suitable period to be fixed for the purpose; the sale-price, however, must not fall below the face-value. The organs for the sale of the bonds are, besides the Japan Hypothec Bank and its agencies and others charged with the sale, the various post-offices which engage in the sale under the Postal Regulations, specially issued, for assisting in the sale of savings loan bonds. The sale takes place not only in the various prefectures of Japan Proper, but also in Taiwan (Formosa), China, and Korea.

In September, 1904, the first or *A* series of bonds to the value of *yen* 1,000,000 (£ 102,459) was issued and met with success; the amount to be issued was sold out before the time fixed for the closing of the sale. The first series was successively followed by the second or *B* series of *yen* 2,000,000 (£ 204,918) and the third or *C* series of *yen* 1,000,000 (£ 102,459). In February, 1905, at the time of the issue of the fourth or *D* series of loan bonds, changes were made in the period of redemption and the manner of paying premiums; and the issue was so successful that in addition to the proposed amount of *yen* 1,500,000 (£ 153,688), *yen* 500,000 (£ 51,229) was further issued. Next, the fifth or *E* series of *yen* 1,500,000 (£ 153,688) and the sixth or *F* series of *yen* 1,000,000 (£ 102,459) were issued. But their sale seemed not to be so successful as had been expected; and consequently, the Hypothec Bank changed, with Government permission, the manner of paying premiums in such a way that the same amounts of premiums could be given at the second drawing as at the first. The result was the successful issue of the seventh or *G* series of these bonds, followed by that of the eighth or *H* series. The total amount of bonds issued up to the end of March, 1906, was *yen* 11,128,275 (£ 1,140,192); and as the amount sold per purchaser was small compared with the number of purchasers, the object kept in view in the sale of these bonds was fully realised.

One or more instalments of redemption have already been paid for all except the *H* series of the savings loan bonds; and the total amount so far redeemed stands at *yen* 181,109 (£ 18,556).

The amounts of issue and dates of sale of the savings loan bonds are given in the following Table:—

## AMOUNTS OF ISSUE OF SAVINGS LOAN BONDS.

Series.	Amounts issued.	Sale opened.	Sale closed.	Amounts redeemed.
	<i>yen</i>			<i>yen</i>
A	1,000,000	September 21, 1904	September 30, 1904	10,000
B	2,000,000	October 21, 1904	October 30, 1904	20,000
C	1,000,000	November 21, 1904	November 30, 1904	10,000
D	1,988,775	February 10, 1905	February 28, 1905	39,510
E	1,500,000	April 10, 1905	May 15, 1905	17,000
F	1,000,000	July 5, 1905	July 31, 1905	10,000
G	1,644,500	November 5, 1905	November 30, 1905	16,445
H	1,000,000	February 5, 1906	February 28, 1906	—
Total	11,128,275			181,109

## APPENDIX.

*General Statement of the Defrayment of Extraordinary Departmental Expenses connected with the War.*

Large payments have been made for expenditures necessary, in connection with the Russo-Japanese affair, for diplomatic and various other matters, in addition to the war expenses proper. In the Financial Year 1903-4, these expenditures, which amounted altogether to *yen* 1,680,000 (£172,131), were met by the National Treasury Reserve Fund and surplus and also by the source of revenue provided for in Imperial Ordinance No. 291, of 1903.

In the Financial Year 1904-5, as the payments for these expenses rapidly increased with the progress of the war, an extraordinary reserve fund in connection with the war to the amount of *yen* 40,000,000 (£4,098,361) was, as has already been stated, asked for in the form of supplementary annual Budget for the Financial Year 1904-5, and it was proposed to employ as the source of revenue therefor the surplus to be obtained by economy in the general expenditure; the proposal was approved by the Diet in March 1904. The amount, for the disbursement of which for the extraordinary expenses of the various departments of State other than the War and Naval the Imperial assent was obtained within the Financial Year 1904-5, that is, by the last day of March, 1905, was *yen* 36,520,000 (£3,741,803), which, when

deducted from the estimated amount of *yen* 40,000,000 (£ 4,098,361), leaves a balance of *yen* 3,470,000 (£ 355,532).

In the Financial Year 1905-6, *yen* 80,000,000 (£ 8,196,722) was asked for as extraordinary reserve fund in connection with the war, and it was proposed to employ as sources of revenue therefor the surplus in the annual account and others; and the proposal was approved by the Diet in December 1904. And that sum was gradually disbursed until it was exhausted in December, 1905 and as still more money was required, the funds diverted from special accounts and the surplus of the preceding financial year were taken in the same month as sources of revenue for the purpose and *yen* 28,820,000 (£ 2,952,868) was paid out therefrom as a disbursement unprovided for in the Budget. For the purpose of providing for disbursements to be made in January, 1906 and onward, a vote of *yen* 7,200,000 (£ 737,704) in the form of supplement to the extraordinary expenses connected with the war, which was to be paid out of the surplus of the preceding financial year, was asked and passed in the Diet in March 1906. The extraordinary departmental expenditures, the defrayment of which received the Imperial assent, during the same financial year, amounted to *yen* 110,450,000 (£ 11,316,598), which, when deducted from the estimated amount of *yen* 116,020,000 (£ 11,887,295), leaves a balance of *yen* 5,570,000 (£ 570,696).

The expenditures required in the Financial Year 1906-7 in connection with the situation brought on by the war included the outlays needed for the forces stationed in Manchuria and Korea, the expenses of repairing the losses suffered during the war by the army and the navy, and other extraordinary expenses which could only be roughly estimated, and also outlays which required to be taken as continuing expenditures but which could not yet be definitely fixed for a term covering many years; and accordingly, following the precedent set in the previous financial year, these expenditures were made into a single item as extraordinary reserve fund, which amounted to *yen* 84,500,000 (£ 8,657,786) and was to be paid out of the annual revenue connected with the war and proceeds of public loans. When the scheme was brought before the Diet in January, 1906, that body reduced the sum asked for by *yen* 5,000,000 (£ 512,296) and voted *yen* 79,500,000 (£ 8,145,492). The amount which was needed before the opening of the Financial Year 1906-7 and obtained the Imperial assent for its disbursement was *yen* 10,310,000 (£ 1,056,352).

The total amount of the above-mentioned extraordinary departmental expenses, for the defrayment of which the Imperial assent was

obtained, stands at yen 158,970,000 (£ 16,287,909); and the amounts of the various items of these expenses in each year and the amounts of the sources of revenue therefor in the Financial Year 1903-4 are given in the following two Tables:—

DETAILS OF THE AMOUNTS, FOR THE DISBURSEMENT OF WHICH THE IMPERIAL ASSENT WAS OBTAINED, OF EXTRAORDINARY DEPARTMENTAL EXPENSES IN CONNECTION WITH THE WAR.

Department in control and items.	Financial year 1903-4.	Financial year 1904-5.	Financial year 1905-6.	Financial year 1906-7.	Total.
	yen	yen	yen	yen	yen
<b>Under the control of the Foreign Department.</b>					
Various extraordinary expenses of the Department and Legations and Consulates abroad .. .. .	1,136,689,992	2,407,068,801	2,600,255,510	—	6,234,014,303
Expenses of withdrawal and relief of Japanese residents in Russia, China, and Korea .. .. .	100,000,000	236,281,789	15,560,000	—	351,841,789
Total .. .. .	1,236,689,992	2,643,350,590	2,707,815,510	—	6,585,856,092
<b>Under the control of the Home Department.</b>					
Compassionate allowances to families of non-commissioned officers and privates .. .. .	—	400,000,000	500,000,000	—	900,000,000
Extraordinary police expenses, &c. ..	14,297,316	906,450,922	156,111,675	—	1,476,859,913
Total .. .. .	14,297,316	906,450,922	146,111,675	—	2,381,859,913
<b>Under the control of the Finance Department</b>					
Expenses of issue of and interest on exchequer bonds and sterling loan bonds, &c. .. .. .	257,893,930	14,124,693,485	79,307,993,850	—	93,690,581,275
Expenditures connected with establishment of Tobacco manufacture monopoly .. .. .	—	5,284,324,875	10,612,561,000	—	15,896,885,875
Expenditures connected with Salt monopoly .. .. .	—	584,516,500	8,827,629,000	—	9,412,145,500
Total .. .. .	257,893,930	19,993,534,870	98,748,183,850	—	118,999,612,650
<b>Under the control of the Naval Department.</b>					
Cost of construction and repairs made on request in connection with the war ..	60,000,000	160,000,000	100,000,000	—	320,000,000
Expenses required at Port Arthur, &c. ..	—	—	—	10,310,536,000	10,310,536,000
Total .. .. .	60,000,000	160,000,000	100,000,000	10,310,536,000	10,630,536,000
<b>Under the control of the Educational Department.</b>					
Expenditures connected with meteorological stations established in China and Korea .. .. .	13,597,380	100,533,076	121,634,000	—	235,764,456
<b>Under the control of the Agricultural and Commercial Department.</b>					
Expenditures necessary for completion of works for establishment of the steel foundry in connection with the war ..	98,000,000	3,566,170,000	—	—	3,664,170,000
Expenditures necessary for examination of imported animals and gelding of horses in connection with the war ..	—	159,937,680	1,177,297,530	—	1,337,235,210
Total .. .. .	98,000,000	3,726,107,680	1,177,297,530	—	5,001,405,210



Department in control and Items.	Financial year 1903-4.	Financial year 1904-5.	Financial year 1905-6.	Financial year 1906-7.	Total.
<b>Under the control of the Commu- cations Department.</b>	yen	yen	yen	yen	yen
Expenditure connected with rapid com- pletion of Malsuru Railway .. ..	—	1,400,000.000	—	—	1,400,000.000
Expenditures connected with rapid com- pletion of Seoul-Fusan Railway, &c.	—	3,330,000.000	450,000.000	—	3,780,000.000
Expenditures necessary for increasing organs of communication in connec- tion with the war .. .. .	—	4,268,705.000	5,688,362.000	—	9,957,067.000
Total .. .. .	—	8,998,705.000	6,138,362.000	—	15,137,067.000
Grand total .. .. .	1,680,478.618	8,682,158.365	110,452,404.565	10,310,506.000	158,972,101.321

**DETAILS OF THE SOURCES OF REVENUE OF THE AMOUNTS OF  
DISBURSEMENTS GIVEN IN THE PRECEDING TABLE  
FOR THE FINANCIAL YEAR 1903-4.**

Department in control and Items.	Amounts Disbursed.	Sources of Revenue.		
		Temporary Loans.	Second Reserve Fund.	National Treas- ury Surplus.
<b>Under the control of the Foreign Department.</b>	yen	yen	yen	yen
Various extraordinary expenses of the Department and Legations and Con- sulates abroad .. .. .	1,136,689.992	—	212,500.000	924,189.992
Expenses of withdrawal and relief of Japanese residents in Russia, China, and Korea .. .. .	100,000.000	—	—	100,000.000
Total .. .. .	1,236,689.992	—	212,500.000	1,024,189.992
<b>Under the control of the Home Department.</b>				
Extraordinary police expenses, &c. ..	14,597.316	—	—	14,597.316
<b>Under the control of the Finance Department.</b>				
Expenses of issue of exchequer bonds, &c. .. .. .	257,893.930	257,893.930	—	—
<b>Under the control of the Naval Department.</b>				
Cost of construction and repair made on request in connection with the war ..	60,000.000	—	60,000.000	—
<b>Under the control of the Edu- cational Department.</b>				
Expenditures connected with meteoro- logical stations established in China and Korea .. .. .	13,597.380	—	—	13,597.380
<b>Under the control of the Agricultu- ral and Commercial Department.</b>				
Expenditures necessary for completion of works for establishment of the Steel foundry in connection with the war ..	98,000.000	—	98,000.000	—
Grand total .. .. .	1,680,478.618	257,893.930	370,500.000	1,052,084.688

**NOTE:—**

The source of revenue for Yen 257,893, the disbursement under the control of the Finance Department, is given as was intended in the original scheme; but as a matter of fact, it was, for the convenience of adjustment, finally decided to employ for the purpose the funds diverted from special accounts.

Although there are many expenditures, besides the disbursements made as above described for the extraordinary expenses of the various Departments of State, which were defrayed in connection with the Russo-Japanese affair, they are here omitted, because special investigation is necessary with respect to the items and amounts of such expenses not only in the case of those which have been defrayed out of funds mentioned in the ordinary Budget, but even in the case of those paid as extraordinary expenses, as most of them are mixed up with other expenditures.

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